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ORGANIZATIONAL ALTERNATES FOR GRADING PROGRAMS IN THE AGRICULTURAL MARKETING SERVICE

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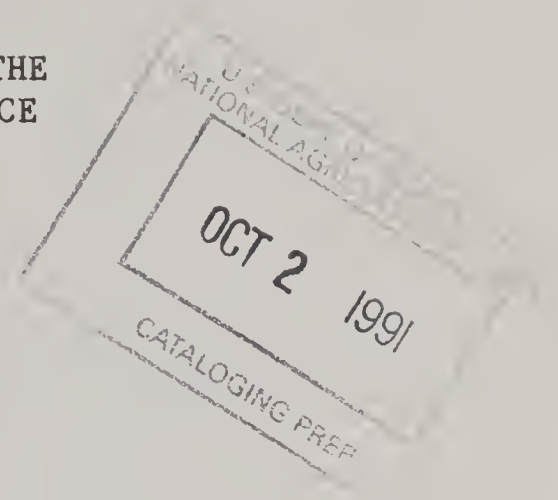
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ORGANIZATIONAL ALTERNATES
FOR THE GRADING PROGRAMS IN THE
AGRICULTURAL MARKETING SERVICE



A Task Force Report
To the Administrator
on the Potential for Reorganizing the
Grading and Standardization Programs

PREPARED BY THE ADMINISTRATOR'S TASK FORCE:

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MAY 1987

Purpose

The purpose of this study was to provide an assessment of the feasibility of restructuring the management of AMS grading activities along alternative organizational lines with a view toward increased efficiency. The study was conducted in early 1987 by a task group of senior AMS staff, appointed by the Agency Administrator.

Current Organization

The grading activity conducted by AMS is a Federal-State operation which generates in excess of \$150 million annually in user fee revenue. In recent years, revenues have been trending upward while staffing has been essentially stable. The program is conducted by seven grading branches in six AMS commodity divisions which are divided into functional branches. Each commodity grading branch maintains its own administrative service and field structure, divided into regions.

Field Study

In order to evaluate the potential for increasing efficiency at the service delivery level, the task force elected to conduct an intensive study of a sample geographic area. The State of California was selected for study because it contains a representation of each of the commodity grading programs except tobacco grading. Within the sample area the task force examined the types of work performed, the qualifications necessary to perform assignments and the management required for service delivery. Two week-long cycles--one recent and one during a peak work period in the preceding fall--were reviewed in detail to account for every hour of work time for each grader in the State. The intent of this data collection--performed by study teams which visited every grading field office--was to identify assignments which resulted in unnecessary costs, to match those with the availability of other graders, and to identify opportunities for greater efficiencies.

The survey accounted for approximately 9,350 hours of workforce time devoted to grading of edible commodities in the January study week and 14,240 hours in the September 1986 week. Hour-by-hour accounting showed that less than 3 percent of all compensated hours in both periods were spent in travel or available for other utilization and that less than one-half of 1 percent of workweek time could be considered "down time," available for reassignment. The feasibilities of field office consolidation and of widescale cross-training and cross-utilization of graders across commodity lines were also evaluated.

On the basis of this review, it was concluded that resource savings by reorganizing the grading workforce would be unlikely and that the present organization of the grading programs at the service-delivery level should be maintained.

Organizational Alternatives

After concluding its field level study, the task force addressed the feasibility of and possibility for cost saving by reorganization above the grader level. After considering a variety of organizational alternatives, the task force focused on two structural concepts, a multi-commodity regional office model and one with separate grading divisions.

The regional model centralized the responsibility for grading in three regional field offices, each responsible for all AMS grading services within its district. Regional directors--with responsibility for multi-commodity grading--would report to an Assistant Administrator for Grading and Standardization. On the basis of some general assumptions regarding staffing, it was concluded that after substantial initial expense there was a possibility for savings under this framework (although clearly less than .5 percent of total costs).

It was concluded, however, that the disadvantages associated with decentralization of commodity grading authority clearly offset the potential for savings afforded by the three-regional model. The tasks of assuring consistent application of grading across regions was viewed as a significant risk and it was agreed that uniformity among grading programs for identical commodities between regions is critical.

It was also perceived that this type of organization likely would not be well accepted by the industries served by the grading programs. Since grading service users, their industries, and to a large extent the trade groups which represent them, are usually commodity-oriented, it is easier for them to secure information, obtain services, and solve many of their concerns through commodity-oriented contacts.

The separate grading and standardization division model essentially removes these functions from the existing multi-function commodity divisions and places them under the management of a special Assistant Administrator. This alignment would have the advantage of elevating the attention given to grading and standardization programs and conceptually would foster greater uniformity of procedures and practices among commodity grading programs. However, this alignment would result in a reduction in coordination of commodity-oriented functions; information-sharing between the grading-standardization group, and the other commodity functions such as market news, commodity procurement, and regulatory functions would be lessened. Service users would likely be affected similarly, and there would be a significant increase in costs. On balance, the limited analysis afforded this alternative did not support its adoption.

Conclusion

The apparent general satisfaction of fee-paying users with the cost effectiveness of existing grading services, the absence of any outside impetus for greater cross-commodity uniformity, and the lack of any identified means for decreasing costs without sacrificing service provides no foundation for major reorganization of AMS grading activities.

Acknowledgments --

In conducting this study and developing the report, the task force acknowledges substantial input from the following other individuals within AMS:

G. Neil Blevins, Internal Controls Officer
Douglas C. Bailey, Executive Services Staff
Ronald L. Nunnery, Financial Management Division
Henry L. Weaver, Poultry Division
Marc Warman, Market Research and Development Division
Michael Hogue, Market Research and Development Division

The first four of the above made up the teams which conducted the California field review; their long hours and insight in the preparation, conduct and follow-up to that part of the effort were invaluable. Doug Bailey's skills are also evident in the graphics throughout the report.

Special recognition is given to Neil Blevins, who not only led the California field review but also provided outstanding initiative, perseverance, and analytical input in the development of the report. Appreciation is also expressed to Marc Warman who provided valuable assistance in developing background material and to Mike Hogue for his contributions in data evaluation.

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INTRODUCTION

On January 5, 1987, J. Patrick Boyle, Administrator of the Agricultural Marketing Service (AMS), established a task force to study the feasibility and practicality of combining some or all of the AMS grading services into a single functional unit. (The memorandum establishing the task force is attached as Appendix A). While the original charge was to study the grading of edible commodities, cotton and tobacco were added by the task force so that the option of including these programs in any feasible reorganization would be available.

The task force examined the existing organizational structure, giving particular attention to the similarities and differences between commodity grading units. It conducted a survey of work assignment efficiency and cross-utilization opportunities in a multicommodity environment, and it evaluated the strengths and weaknesses of alternative organizational alignments. It then formed conclusions based on these findings, observations, and assessments.

This report presents the findings of the task force. It is broken into three major parts. Part I describes the objectives of the grading program, the present AMS organizational structure, and the present grading program operations. Part II presents a detailed survey of current grading activities in California where many diverse commodities are produced in close geographic proximity and graded by AMS, and discusses the implications of the survey results for organizational alignment. Part III of the report evaluates alternative organizational structures of the AMS grading programs. Recommendations conclude the report. Current legislative authority, historical background, and a detailed description of current functions and activities of the grading programs are discussed in appendices.

PART I: PRESENT ORGANIZATION AND OPERATION

A. General Organization

The objective of the inspection, grading, and classing programs of AMS is to facilitate the interstate and foreign commerce of agricultural products. This is accomplished by inspecting, identifying, and certifying the quality of these products in accordance with designated standards. These programs facilitate the movement of farm products through the entire marketing channel--from growers to consumers--in an efficient and equitable manner. By providing an impartial evaluation of the quality of products prior to their sale, grading services allow farmers to more effectively market their commodities and permit purchasers to buy products without having to inspect them personally. Grades serve as a basis for price, and reflect the value of the product to both the buyer and the seller.

Federal involvement in the development of national grades began at the turn of the century (see Appendix B, Legislative Authority and History). The first Federal government grading services were offered in 1916. Since that time, industries have been voluntarily requesting use of AMS grading services, and usually supporting these programs on a user-fee basis.

The organization of USDA grading services over this period has been relatively stable. In 1919-20, the Bureau of Markets established commodity divisions, similar to the current AMS commodity divisions, to conduct standardization and grading activities. From that time to the present, standardization and grading activities have been administered by commodity divisions.

The current AMS commodity divisions are organized internally into branches along functional lines. For example, most divisions have a grading branch¹ and a market news branch. The branches maintain a system of regional grading offices, field offices, and laboratories which are geographically located according to the industry being served. Appendix C, which shows duty points of full-time Federal graders, gives an indication of work force dispersion.

On a staff year basis, Federal graders carry out about 51 percent of the AMS-directed grading activities. The level of State involvement varies considerably by commodity, with some commodity grading services, most notably poultry and fresh fruit and vegetable grading, relying extensively on State graders. Federal/State relationships and responsibilities are established by cooperative agreements with each State.

B. Current Grading Programs

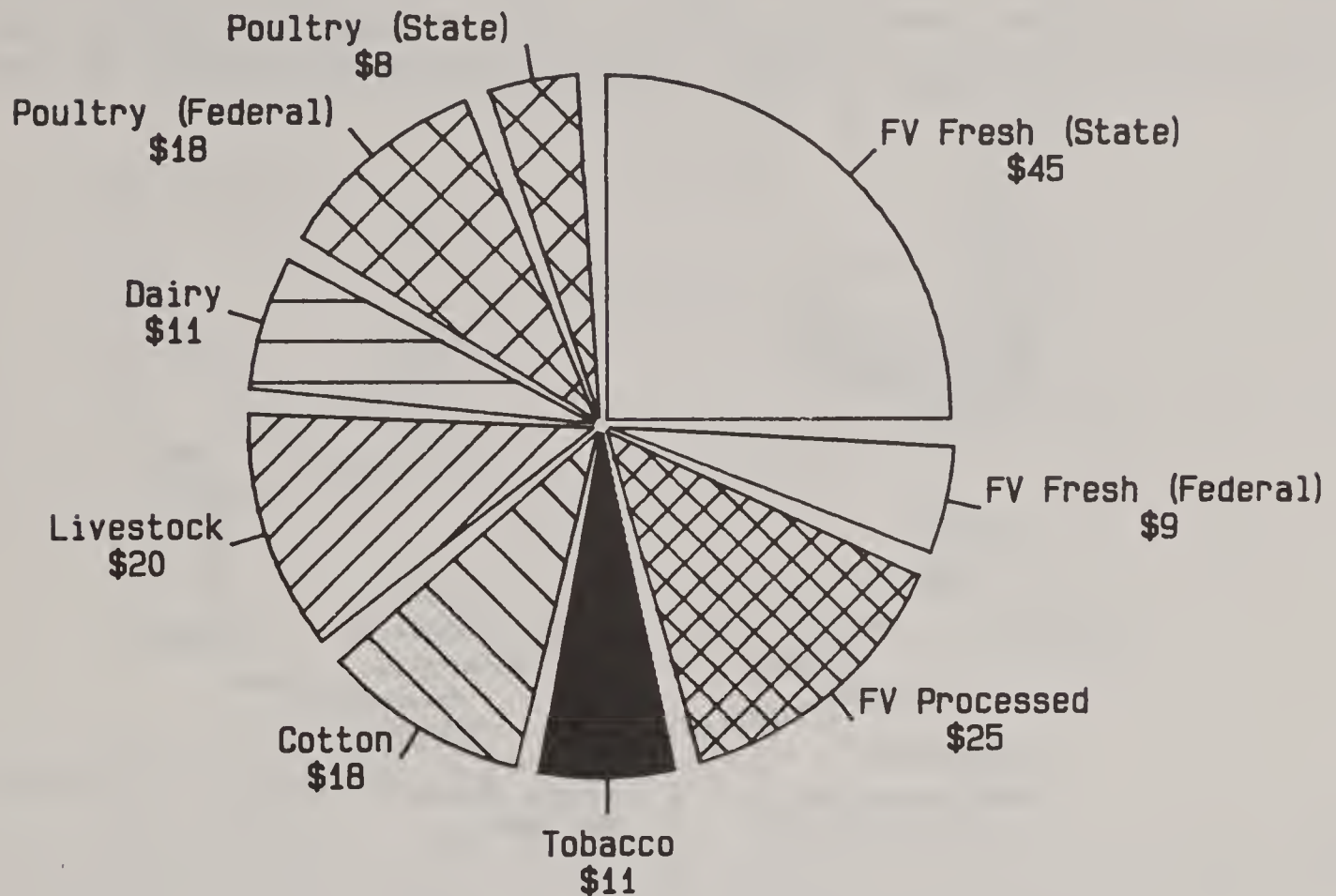
The AMS grading programs are carried out by six commodity divisions--Cotton, Dairy, Fruit and Vegetable, Livestock and Seed, Poultry, and Tobacco. Each has one grading branch except the Fruit and Vegetable Division which has two--Fresh Products and Processed Products. More detailed information on the program operations of each commodity branch is included in Appendix D.

The following figure shows estimated revenue levels and shares for each grading function in FY 1986. There have been no dramatic changes in these relationships in recent years; however, revenue in total has been trending moderately upward while staffing levels have been essentially stable.

¹Grading services are distinguished from the inspection functions performed by the Food and Drug Administration, the Food Safety and Inspection Service, and AMS's egg products inspection activities wherein the principal concern of inspection functions is with food safety and wholesomeness, and such activities are supported with appropriated funds. In the fruit, vegetable, and grain industries, the term inspection is used synonymously with grading; for cotton, "classing" is the term used for evaluating quality.

REVENUE EARNED BY GRADING PROGRAMS

(In Millions)



Total Program Revenue - \$165

FIGURE 1

Each of the seven grading branches maintains its own field structure. Each field structure is subdivided into regions.

Each grading branch supports its grading functions by providing administrative field support, technical training and supervision of the grader work force, and providing or contracting for laboratory services as needed. Some grading branches include the standardization and review functions (Processed Products Branch and Fresh Products Branch in the Fruit and Vegetable Division, Dairy Grading and Standardization Branch, and Tobacco Grading) while others separate the standardization function into separate branches (Meat Grading and Certification Branch, Poultry Grading Branch, and Cotton Grading Branch).

The following is a brief description of each grading branch's structure and organization.

Cotton

The Grading Branch of the Cotton Division is responsible for classing (grading) all domestically produced cotton, and for administering the cottonseed grading program. The Grading Branch is located in Memphis, Tennessee, and is headed by a Branch Chief. The Head of the Quality Control Section and 20 Area Classing Offices (ACO'S) report to the Branch Chief.

The Quality Control Section's primary function is to maintain the uniform application of standards for all cotton classing services provided by the ACO's. The section is staffed by a section head, two assistants, and six GS-12 agricultural commodity graders. Each of these six graders has responsibility for ACO's within a specific geographic area. The locations of the headquarters and the ACO's are shown below.

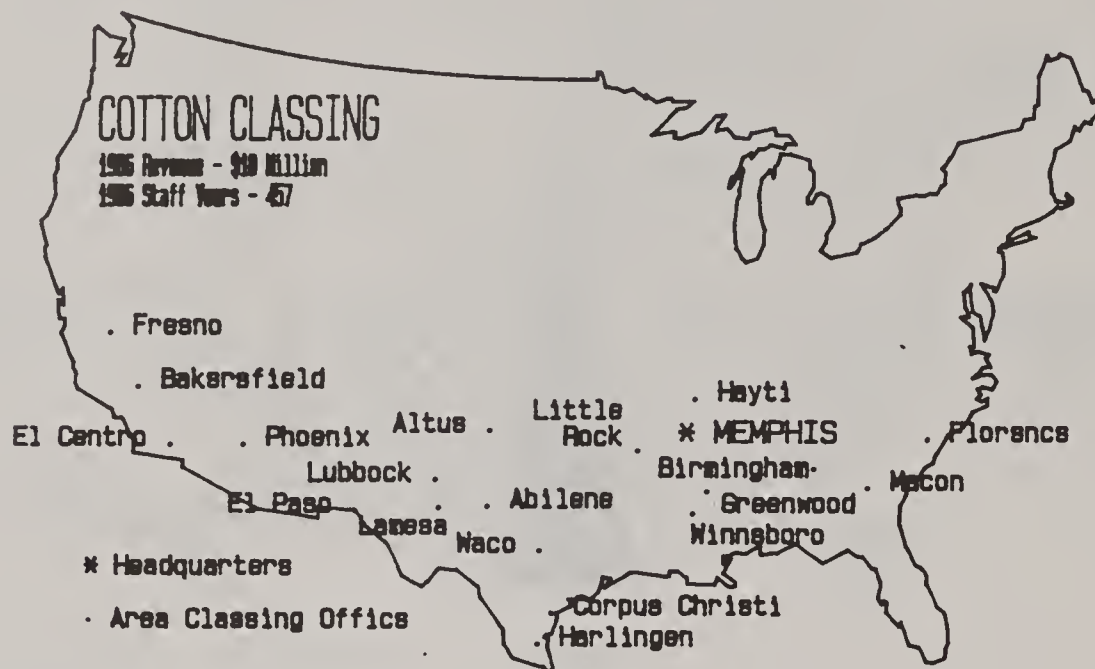


FIGURE 2

Each ACO is headed by an Area Director. In addition, some ACO's may have an Assistant Area Director and/or one or more supervisory agricultural commodity graders, GS-11, who are responsible for the classing of cotton performed by agricultural commodity graders. The journeyman level for cotton graders is GS-7. Also, approximately 300 GS-7 and GS-9 seasonal graders assist in the classing of cotton. An additional 1,200 seasonal aids and laborers (GS 2 and 3, WG 1 and 2) further support the permanent and seasonal classing staff.

Dairy

The Dairy Grading and Standardization Branch of the Dairy Division is responsible for grading dairy products such as butter, cheese, and dry milk; inspecting dairy plants; providing laboratory services; and offering resident grading and quality control programs to the dairy industry. The program is headed by a Branch Chief and two Section Heads in Washington, D.C.

The dairy grading field structure consists entirely of the four regional offices shown below. A total of 175 graders are assigned to these offices to service the dairy manufacturing industry concentrated largely in the northern midwest. There is one GM-13 supervisory agricultural commodity grader in charge of each regional office.

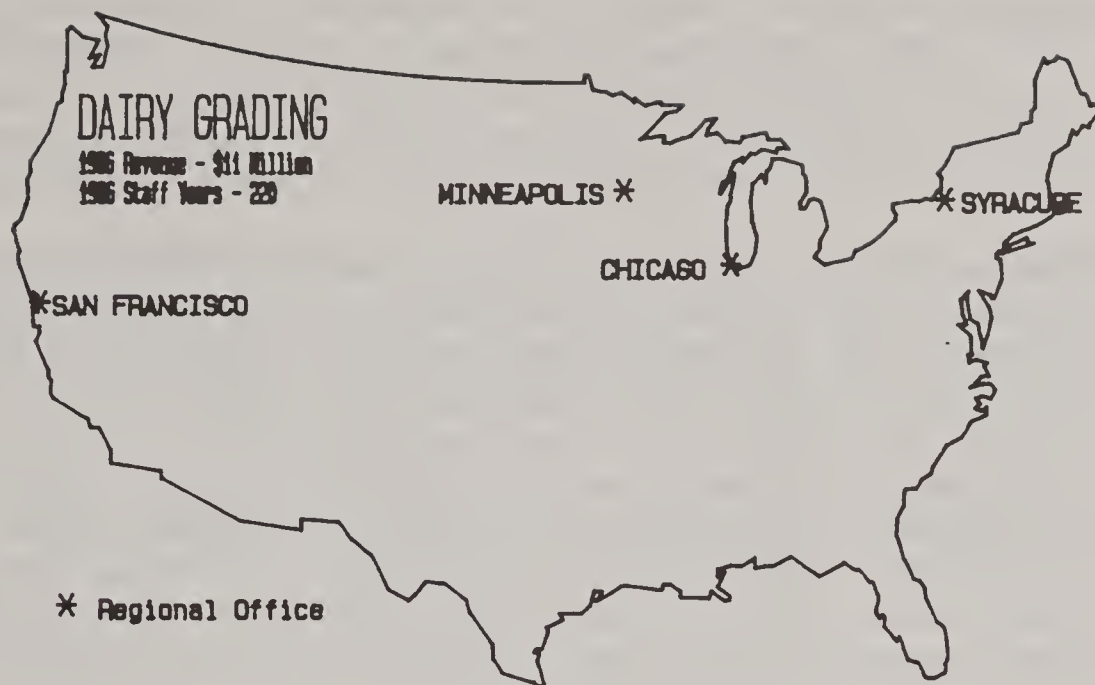


FIGURE 3

Fresh Fruits and Vegetables

The Fresh Products Branch of the Fruit and Vegetable Division is responsible for grading fresh fruits, vegetables, and specialty crops at shipping points and destination markets. This program is directed by a Branch Chief, an Assistant Branch Chief, a Grading Section Head, and a Standardization Section Head in Washington, D.C.

There are 192 branch employees in the field serviced by three regional offices. Each regional office is headed by a Regional Director who is responsible for managing the inspection program within that region. The location of the regional offices and the destination market offices are shown below.

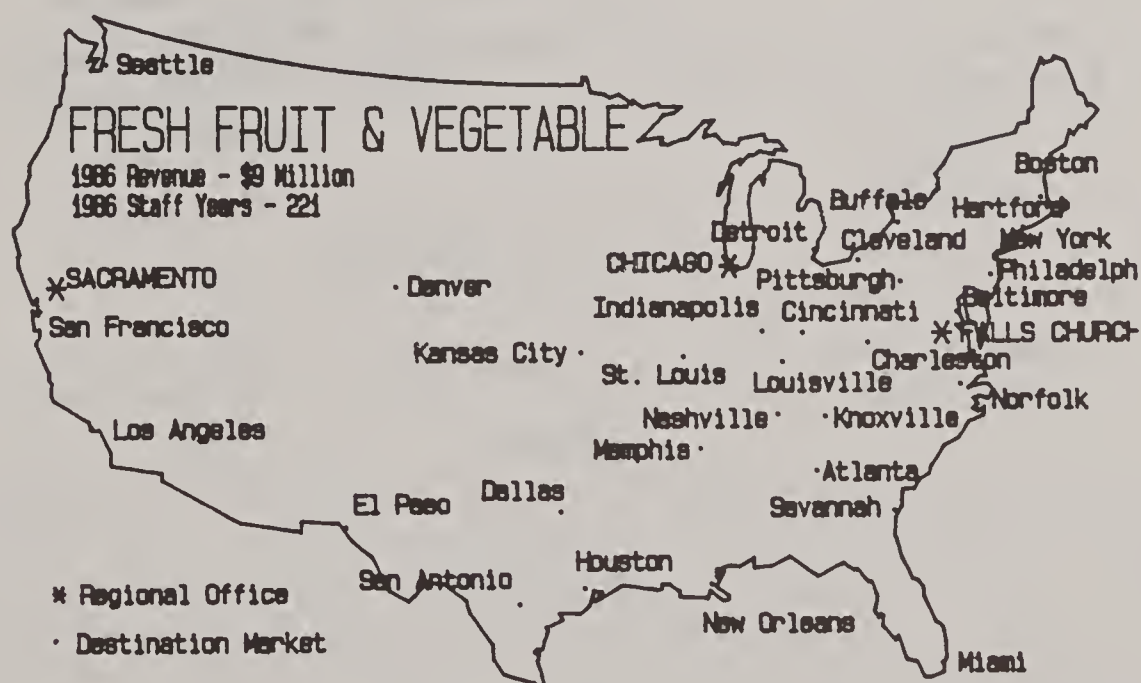


FIGURE 4

Each of the destination market offices is headed by an officer-in-charge, GS-11 through GM-13, who supervises the Federal graders, GS-5 through GS-9. In addition to the 119 Federal graders who service destination markets, there are over 300 State personnel who perform destination inspections in locations where it is not economically feasible to have Federal graders.

At origins (shipping points), there are approximately 5,000 State shipping point inspectors who perform grading functions on a largely seasonal basis. These 5,000 inspectors accounted for approximately 2,300 staff years of grading activity. The training and supervision of State graders is conducted by Federal supervisors who are responsible for a single State or several States, depending on the level of activity. State revenues for fresh fruit and vegetable shipping point grading activities were estimated at \$45 million in FY 86. The financial management for these functions is carried out by the States (Federal costs are covered on a percentage basis). Except for reimbursements to USDA, these revenues are not included elsewhere in this study.

Processed Fruits and Vegetables

The Processed Products Branch of the Fruit and Vegetable Division is responsible for the grading of processed fruits, vegetables, and specialty crops. A Branch Chief, an Assistant Branch Chief, a Grading Section Head, and a Standardization Section Head lead the program from Washington, D.C. Field activities are carried out by the two regional offices and the 19 field offices shown below.

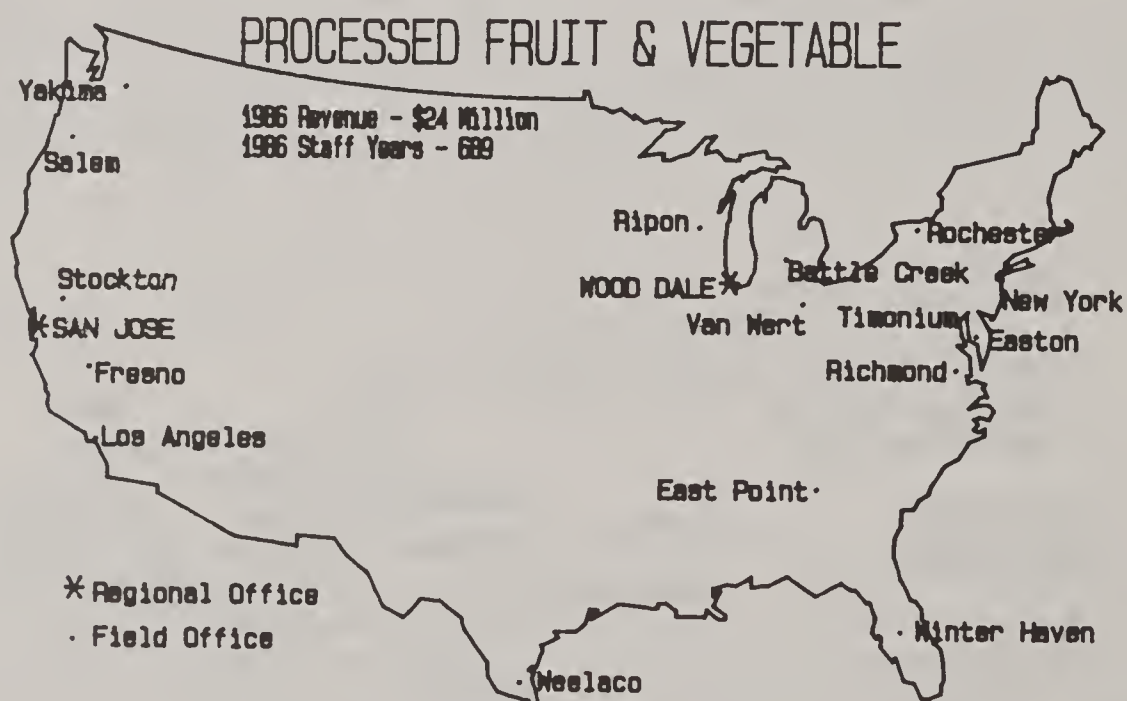


FIGURE 5

Each of these field locations is usually headed by a GS-12 officer-in-charge, although grades range from GS-11 to GM-13. Inspection and grading is carried out by a Federal staff of about 430 full-time graders,

supplemented by about 750 intermittent graders and grader aids during times of peak workload.

Livestock and Meat

The Meat Grading and Certification Branch of the Livestock and Seed Division is responsible for grading red meats and certifying compliance of red meat products with established contract requirements. This program is headed by a Branch Chief and an Assistant Branch Chief located in Washington, D.C.

The field activities of the branch are carried out by three regional meat grading and certification offices, each headed by a Regional Director and a Deputy Regional Director. Each region is further subdivided into 2-3 areas which are managed by area supervisors. There are a total of 270 full-time and 116 intermittent Federal graders plus 8 State graders utilized under cooperative agreements. The journeyman level for a meat grader is GS-9, while GS-11's serve as first-line supervisors responsible for several graders in a given area. The locations of the regional and area offices are shown below. The meat industry served by the program is most heavily concentrated in the Midwestern States.

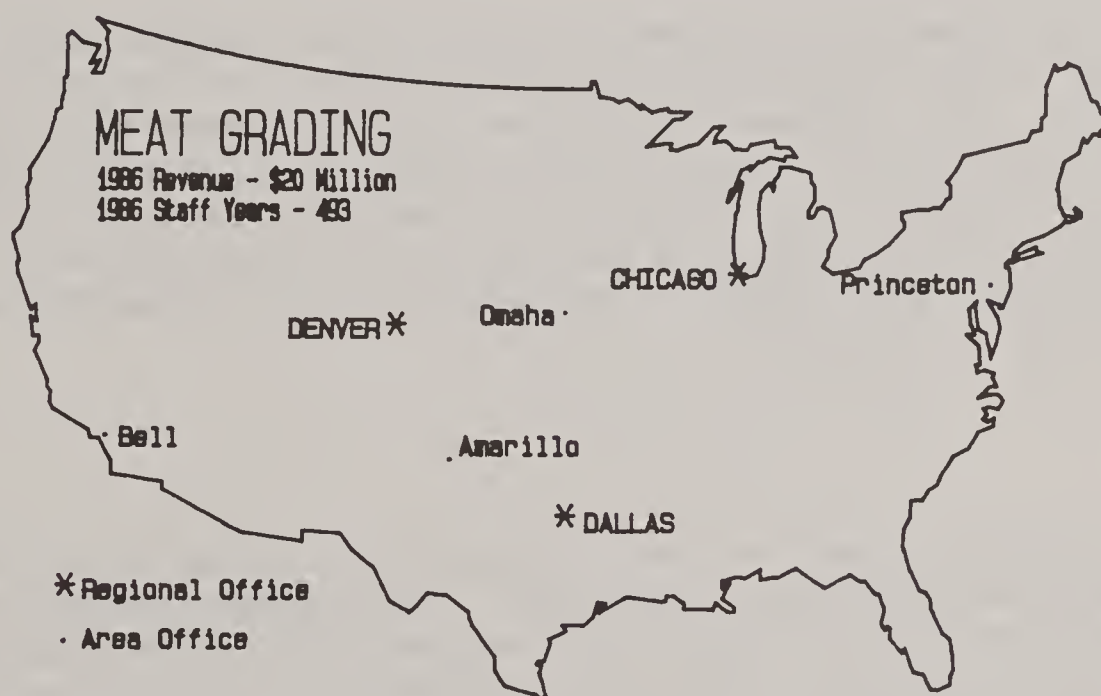


FIGURE 6

Poultry

The Grading Branch of the Poultry Division grades and certifies poultry, eggs, and rabbits as to class, quality, and condition as well as inspects egg products under the regulatory Egg Products Inspection Act. The grading program consists of a national office in Washington, D.C., with a Branch Chief, an Assistant Branch Chief, and three national supervisors—one each for poultry, eggs, and egg products. The field activities of the branch are carried out by the 4 regional offices and 23 Federal/State field offices shown below.

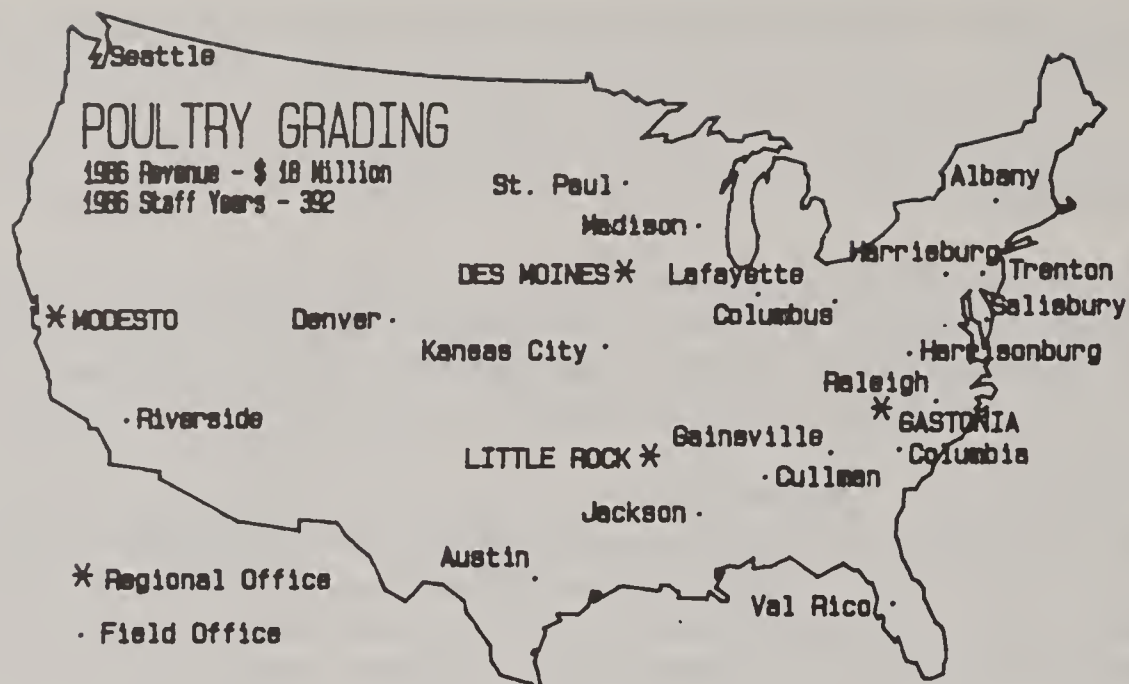


FIGURE 7

The egg products inspection program is structurally aligned with the poultry grading program and is headed by one of the national supervisors in Washington, D.C. Each regional office has a GS-12 supervisory egg products inspector who supervises the egg products inspectors located in that region. Annually, the poultry grading program utilizes 392 Federal and 320 State staff years, and the mandatory egg products inspection programs utilize 184 Federal and 66 State staff years. The industry is serviced by the program in all regions of the country.

Tobacco

The organizational structure of the tobacco grading program is different from the commodities previously discussed. The grading program is conducted through two regional offices which are responsible for the grading of domestic and imported tobacco, and the designation of tobacco markets. The regional offices are located in Kentucky and North Carolina as shown below and each office is headed by a Regional Director who reports directly to the Tobacco Division Director and Deputy Director. No grading personnel are located in Washington, D.C. During the tobacco season, 4 Assistant Regional Directors supervise approximately 400 GS-5 to GS-9 tobacco graders; almost all tobacco graders are seasonal. The actual number of graders employed varies with the seasonal workload. The tobacco industry is concentrated in the Midsouth.

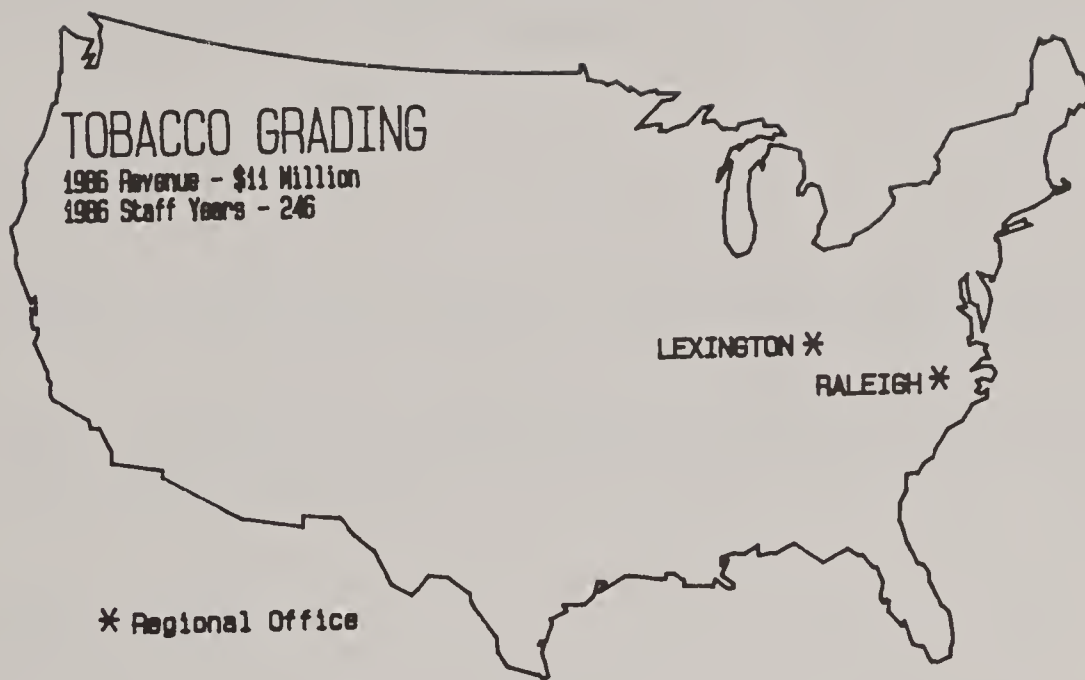


FIGURE 8

PART II: GRADER UTILIZATION

Just as the delivery of service occurs at the grader level, so does the bulk of the cost of delivering it. Accordingly, any search for better efficiency of the grading and standardization programs must focus first on this level of activity.

A. Methodology

In order to evaluate the potential for increasing efficiency at the grader level, the task force elected to study a sample geographic area.

The area selected for study was the State of California which is unique in that it contains a substantial representation of each of the commodity grading programs except tobacco.

As the map displays, each of these programs has one or more field offices and all but one have a regional office in the State (the exception being meat grading which supports California from a regional office in Denver, Colorado). California also has a large volume of cotton classing work which permitted an examination of the potential for cross-utilization between edible and nonedible product grading programs, as well as among edible product grading programs. Similarly, the State also has several seasonal commodities graded by Federal personnel, providing an opportunity to analyze the potential for those programs to assist or be assisted by nonseasonal work forces. Because of these factors, the task force concluded that in a relative sense, an AMS functional grading organization would likely



FIGURE 9

be most practical in California, and therefore an intensive study in that State would be most appropriate.

Fresh fruit and vegetable grading activities carried out by State employees were excluded from the study. This was due largely to the fact that for shipping point grading, AMS is responsible only for supervision and training of fresh fruit and vegetable graders while States are entirely responsible for staffing, assignments, and fees. For these reasons, the management of the State shipping point graders is largely beyond the control of the Agency, and therefore not included in this study.

Within the sample area, the task force examined the type of work performed, the qualifications necessary to perform each assignment, the skills of the grader assigned, the hours required to perform the assignment, the scheduling practices for each commodity, and any additional expenses of providing service to individual applicants such as overtime and travel.

To identify potential efficiencies, the task force evaluated actual work situations during two one-week periods. Week-long periods were chosen to permit the task force to observe a 7-day scheduling cycle. The week of January 11-17, 1987, was selected as one period because it was the most recent week for which all pertinent documents were available in each of the programs. The week of September 21-27, 1986, was selected in order to analyze the potential for cross-commodity grader utilization during a time when seasonal work activity was at peak level.

One of two two-person teams visited each Federal grading field office in the State of California to discuss scheduling techniques and assignment qualifications as well as actual work performed. Each team discussed with the field office supervisor the composition and scheduling of the work force, reviewed time and attendance reports, travel vouchers, grader work reports, and grading certificates issued for each of the two weeks in order to capture:

- where service was provided
- what service was provided
- what qualifications were necessary
- who provided the service
- the person's qualifications
- the amount of travel time involved
- the amount of travel time covered by existing fees
- the number of hours service was provided
- the number of hours the employee was not available for assignment (e.g., leave, workers compensation, training)
- the number of hours the employee had available to provide additional services
- the amount of the standby time billed to the applicant
- the number of overtime hours claimed by the employee
- other expenses involved (e.g., meals and lodging expenses)

Copies of sample data collection forms are attached in Appendix E.

B. Discussion of California Survey

The intent of the data collection was to identify assignments during the two survey periods which resulted in unnecessary costs, to cross match those with the availability of graders in other commodities, and to identify areas where additional efficiencies could be made by having a cross-trained work force.

1. Analysis of General Survey Findings:

Figure 10 below shows the utilization of the Federal work force responsible for grading edible commodities in the State of California during the two survey weeks. (A detailed summary by program is included in Appendix F.)

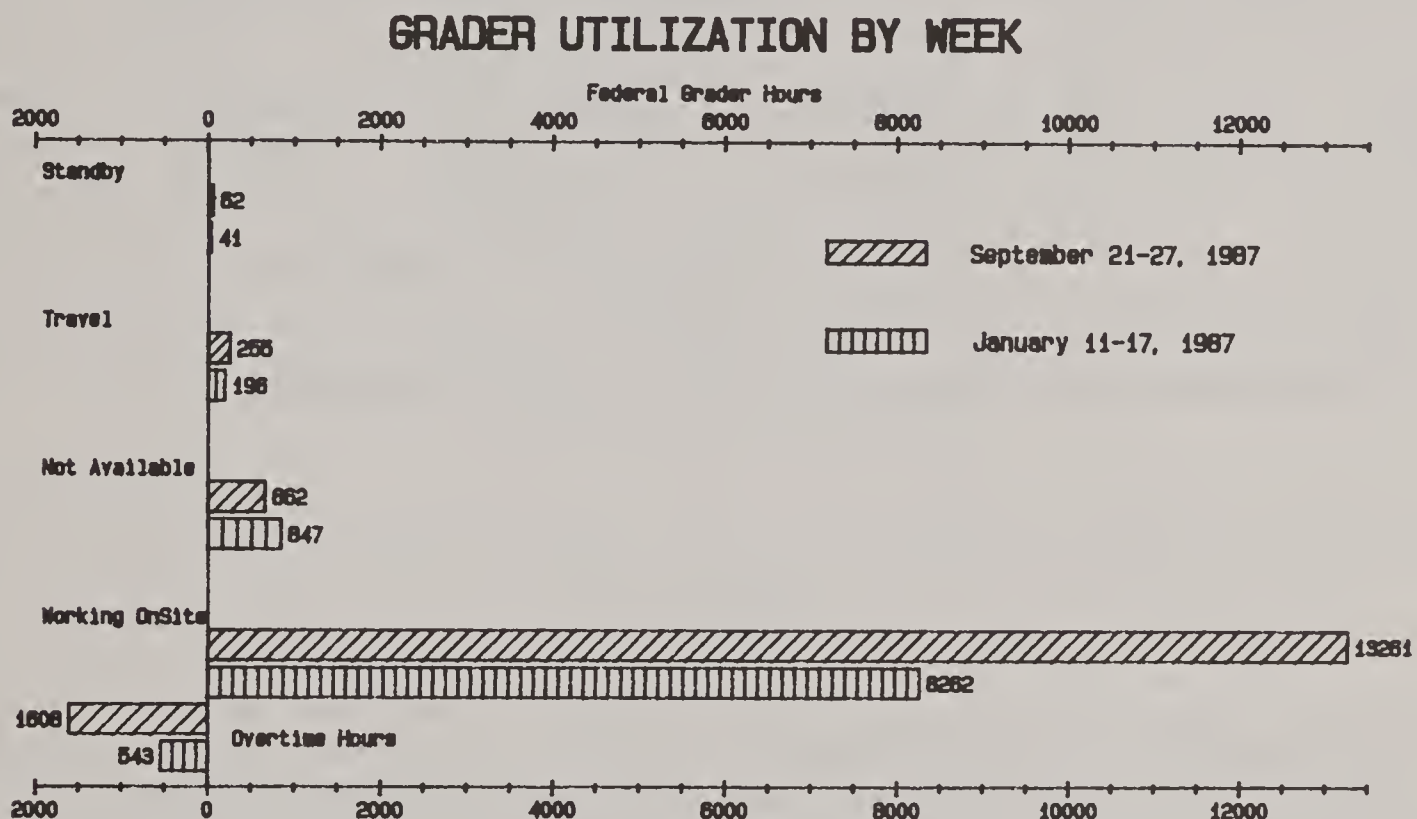
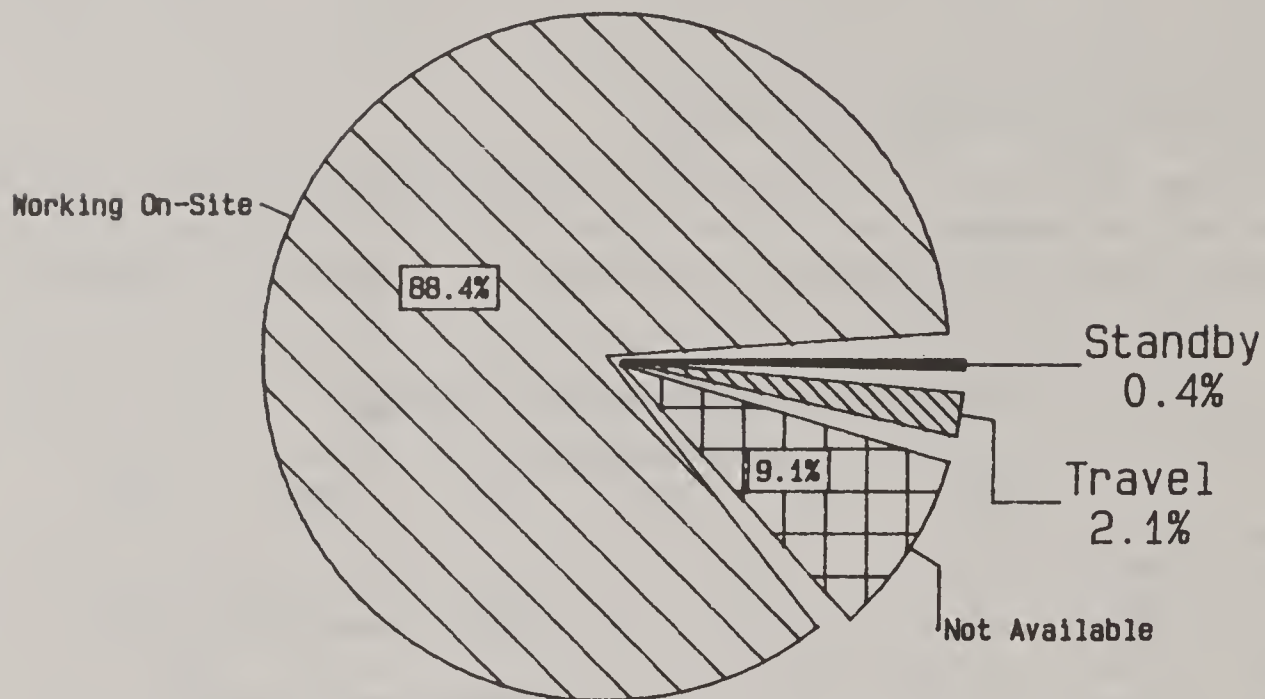


FIGURE 10

Total work force hours during the January period, as expected, were sharply below the September figure (9350 and 14240 hours, respectively) when raisin inspection (a large and highly seasonal grading activity) was at its peak. In the January and September weeks, respectively, 88 percent and 93 percent of available staff hours were devoted to actual performance of grading services. An additional 9 percent and 4 percent were used for leave, workers compensation, and necessary training, hours in which the graders were unavailable for other assignments. As Figure 11 displays, less than 3 percent of all compensated hours in both the January and September periods were either spent in travel or available for other utilization. Fewer than 200 hours (2 percent of the total time) were spent in travel status in January and barely 40 hours of standby time existed (time available for reassignment). As Figure 10 above shows, in September those figures were proportionately as low.

GRADER UTILIZATION

Week of January 11-17, 1987



Travel and standby account for less than 3 percent of grader hours.

FIGURE 11

These figures become even lower when we subtract both those instances where an hour or less of standby existed (too short a time period for an additional assignment) and those instances where the employee was under contract with an applicant and could not have been readily released.

The number of standby hours that were realistically available for reassignment was not readily discernible from records maintained in the field. However, from the records of field supervisors who precisely tracked their employees hours, it was possible to develop an approximate figure. The number of hours when a grader was realistically available for reassignment was approximately half of the standby hours documented. This reduces the number of standby hours realistically available from over 40 hours during the study week in January to only 20 hours and from over 60 to 30 hours during the week of September. As a percent of total hours this represented less than two one-hundredths of one percent.

In view of the above, the need to cross match the free time of employees with alternative duty assignments at or near their duty stations is moot. Both the travel and reassignable hours during the sample periods were insignificant and inadequate to support a hypothesis that reorganization would result in appreciably more efficient scheduling. Similarly, significant reduction in overtime hours through better utilization of

individual graders is not possible in that only a minimum number of overtime hours are available to be saved. In rare instances, an intermittent grader from one program could be utilized to replace a full-time journeyman grader and permit that grader to perform relief assignments in other commodities. But again the potential cost savings are miniscule.

2. Analysis of the Impact on Seasonal Programs:

In general, approximately half of the overtime worked was the result of one or two hours of irregular and occasional overtime at the end of a day, rather than the result of scheduling long shifts or weekend duty. The exception to that proved to be during September in the raisin program when employees regularly worked a 6 or 7 day week, and often were scheduled for long shifts. The Dairy, Livestock and Seed, Poultry, and Cotton Divisions each have graders in the Fresno area where raisins are inspected, but none of them had reassignable time during the September period sampled. Graders from those programs could theoretically have assisted the raisin inspection program, but not without incurring overtime expenses themselves. No program records revealed a full day of time available for a grader to be released to the raisin program on temporary duty (which could have resulted in travel expenses) without abandoning scheduled grading assignments. Accordingly, it can be concluded that the ability of the other commodity grading programs to assist the raisin inspection program is negligible.

Like raisin inspection, cotton classing in California is also a seasonal program. The cotton classing season there is heaviest during November when, like in raisin inspection, intermittents are recalled to perform the classing work. During the two sample weeks there were only 3 and 4 classers on the payroll working an average of 34 hours each during the sample periods. The team reviewed a separate sample period of November 2-8, 1986, in order to examine classer utilization during the peak cotton season. During the November week there were 71 classers in California working a total of 3367 hours, including 761 hours of overtime. They were clustered primarily around two locations, Bakersfield and Fresno. Overtime amounted to nearly 20 percent of the compensated hours, and was the result of a majority of the classers working several hours of overtime on most shifts. Consequently, during the California cotton season there is no significant opportunity for the cotton field offices to take on assignments for other programs.

Since the incoming raisin season is still ongoing during the November cotton classing peak, raisin inspectors are unavailable to assist the cotton classing activity. Conversely, the opportunity to effectively utilize cotton classers to augment the raisin program is minimal. During the sample week in September, minimal savings could have been made by having an additional supply of cotton classers available to the raisin supervisors. However, with negligible travel costs incurred in the raisin program, only overtime costs could be reduced to cut costs. With few exceptions, the overtime hours were not the result of unavailability of resources. Resources exist within the raisin program to reduce the overtime (many raisin inspectors were working less than 40 hours despite others who worked weekend shifts). However, the administrative burden of training and scheduling inspectors beyond the present practices would likely offset any gains made from reducing overtime.

Cotton classers are generally unavailable to assist other grading program areas during nonseasonal months. With the exception of the Fresno area, cotton areas in California are not often located where other Federal commodity grading is performed. Additionally, people hired to perform intermittent grading assignments are generally not interested in and not available for travel. Even if intermittents who are willing to travel could be located (such as those who assisted the meat grading program in the last year), the costs incurred by intermittent classers traveling to service sites from Fresno or Bakersfield would not be significantly less than those presently incurred. The few instances where grading could be provided at less cost by a cross-trained cotton classer do not warrant routinely training cotton classers for relief assignments. Only in those infrequent instances, such as to support the temporary need for a substantial increase in certification under the Whole Herd Buy-Out Program, does it appear feasible to utilize cotton graders during the off-season.

3. Impact of Intermittent Positions:

One element which limits the feasibility of cross-utilizing graders is the widespread use of intermittent employees. The same element makes an objective analysis of the availability of graders elusive. Intermittents work only when needed, and if no service is requested or work ceases earlier than expected in the day, the grader simply leaves the work site and comes "off the clock." There is no paid standby time, nor any way of effectively capturing the intermittents' availability on days and hours they are not contacted or needed. Some intermittents are available only on certain days or certain hours. Others are unavailable for travel outside the commuting area. (For statistical purposes in this report, unutilized hours of intermittent employees were not counted as available or unavailable.)

When trying to reduce nonproductive time, the unused intermittent is cost-neutral, neither earning nor costing money (except unemployment compensation). Intermittents could be utilized to directly or indirectly provide relief for commodity graders incurring travel expenses or overtime, but only in those instances where it would result in lower costs to the Agency.

4. Analysis of Revenue Efficiency:

The task force also examined how well the grading programs were able to cover their costs with corresponding charges to applicants. All of the programs were operating in a revenue-efficient manner. As an example, Figure 12 below shows that although 88 percent of the grader time in the January week was directly devoted to providing service, 91 percent of all time was covered by revenue (the difference of 3 percent was travel and standby time billed to applicants). Only 45 hours of unbilled travel existed during the January survey period (although fee structures were set to indirectly recover the travel costs) and only 5 hours were unbilled time when the grader was otherwise available for assignment. As Figure 12 below shows, nonrevenue standby and travel hours accounted for less than one-half of one percent of the total number of employee work hours.

REVENUE CONVERSION

Week of January 11-17, 1987

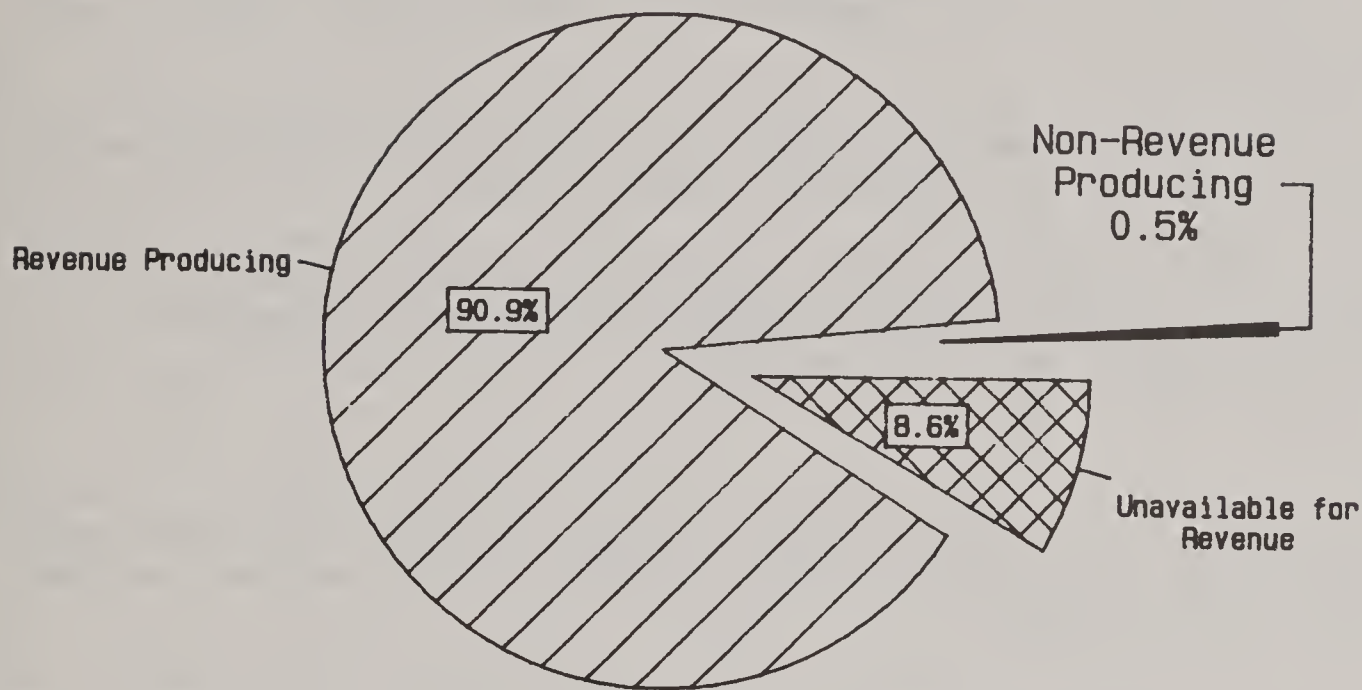


FIGURE 12

Revenue efficiency is directly proportionate to the attention given to it by each of the field offices. For the weeks surveyed the detailed level of schedule planning and daily manipulation of assignments in most field offices was readily apparent. Like any good business manager, each field office supervisor was aware of the revenue each individual assignment would generate, and often went to great lengths to ensure that unrecoverable costs were kept to a minimum. While this was primarily accomplished with their own resources, examples of cross-commodity, cross-agency, and even interdepartmental cooperation existed, primarily when either the expense of providing service was largely unrecoverable or when the charges would have been prohibitively expensive for an individual applicant.

Revenue efficiency was primarily achieved without billing for reassignable time of graders. To keep costs and charges to a minimum, supervisors were generally able to utilize graders among a variety of applicants located in close geographic proximity. If scheduled work was not available in one plant, the grader was often utilized in another, even in those situations in which an applicant had previously projected and contracted for a full day's service. Through prudent site and time scheduling, supervisors were normally able to ensure that graders were fully utilized and that applicants were credited for the contracted grader's time when utilized elsewhere; only 36 hours during the week in January and only 11 hours during the September week were standby hours billed to an applicant.

5. Conclusion:

In California--

- a) Employees from the seasonal grading programs (cotton and raisin) cannot be effectively utilized in other commodities to significantly reduce costs of providing service.
- b) Employees from other commodities cannot be effectively utilized in the seasonal grading programs to significantly reduce costs.
- c) Because there are so few practical opportunities for greater cross-utilization of graders between programs, there are no practical opportunities for significant cost savings.

Hence,

- d) There is no evidence that an alternative organizational structure would result in appreciable cost savings unless the cost savings can be realized above the level of the graders.

C. Discussion of Nationwide Grader Utilization

Having drawn conclusions based on survey data from the State of California, it was necessary to evaluate the application of these conclusions throughout the country. It was clear that the trends identified in California cannot be directly extrapolated to the nation as a whole. Many of the reasons which made California a fertile study area, make it a somewhat atypical sample area. California possesses climates, soils, terrain, and markets to accommodate a wide variety of agricultural products. No other geographic areas have significant volumes of grading work in all edible commodities plus either cotton or tobacco. Most other States and areas generally have concentrations of only one or two agricultural commodities which require grading or inspection services. Only the Chicago area comes close to rivaling California as a location with a large number of grading field and regional offices. Consequently, the data gleaned from California must be extrapolated carefully when drawing conclusions on a national scale.

Even though the findings in California cannot be directly applied across the country, the information gathered from California on the types of assignments, qualification requirements, scheduling practices, and grader utilization serves as a foundation upon which to compare and contrast conditions throughout the country.

Field office locations, whether in California or elsewhere, are established on the basis of their proximity to worker concentration. However, two of the greatest differences between California and the majority of other geographic areas are the greater dispersion of graders, and the relative scarcity of overlapping service locations among commodity grading programs outside California. These conditions might result in opportunities for efficient cross-utilization of graders when outlying service locations for one type of grading activity falls within the concentrated service location of another. However, the general scarcity of overlapping service areas limits the frequency of such opportunities.

It follows that in most geographical areas outside California, travel costs and travel hours per grader would be higher in order to provide requested services including relief grading at remote sites. (Relief graders would rarely be available locally but would have to travel to the site.) In these areas, segregation of the commodity service areas and the lack of alternative grading assignments results in little or no opportunity to benefit from a cross-trained grader work force.

The feasibility of wide-scale cross-utilization of graders among commodities is further diminished by the difficulty in cross-training graders to perform highly-skilled grading assignments (as opposed to some acceptance assignments) as seen in the California survey. Graders can be cross-trained in more than one commodity, but to become proficient enough to be expert in multiple commodity programs requires substantial investment in training (both initial and ongoing) and regular and recurring opportunities to use these cross-trained skills. Furthermore, with the comparatively high rate of turnover for new graders in each of the programs, the investment cost in each grader would further multiply. Illustrative of the already high turnover is the experience in meat grading, where 10 members of the most recent training class of 20 graders have already left the program.

Most grading programs augment academic skills with extensive job training. For the most part, graders are rarely assigned to the technically demanding assignments without supervision until after successfully completing considerable on-the-job training, normally from 1 to 2 years. In a cross-commodity assignment, without regular exposure to the commodity, that period could be expected to multiply exponentially rather than proportionally. Part-time and intermittent graders have historically experienced many of these same difficulties. In most field offices studied, part-time and intermittent graders were being used to assist other graders or to perform less technically-demanding assignments. The exceptions were those graders who had extensive private experience in the commodity or were former full-time graders.

A more fruitful area for cross-utilization is in providing various sampling and acceptance services. Although each requires technical skills, those skills are more readily trainable, transferable, and retainable than many other grading assignments. It would be feasible to train individual graders to perform many of those tasks to support grading programs in other commodities. However, even these skills would disintegrate without regular and recurring use.

While cross-utilization opportunities exist and should be exploited, the problem remains that the geographic dispersion and general lack of overlapping commodity service sites make large-scale cross-training and assignment of graders impractical. The vast majority of the service the Agency provides is either full-time, year round or contract (full-time for periods of weeks or months). Only a minority of Federal grading work is lot grading, intermittent, or part-time service. Of those that do require less than continuous service, many are either in concentrated commodity service areas (e.g., produce houses in or near a terminal market) or in areas where no other commodity services are performed. Of the others, many require journeyman grading skills (rather than routine skills).

D. Summary

Based upon an intensive review of grading and classing services in the State of California, and a more general review of operations elsewhere, it is concluded that resource savings from reorganizing the grading workplace would be unlikely. Existing reassignable time and travel costs are insignificant. The recovery of those costs through wide scale cross-training would be precluded by the difficulty and expense in training and maintaining a level of skills to perform high-skill grading assignments, the geographic dispersion of applicants, and the geographic diversity of the commodities. For these reasons, it is concluded that wide-scale cross-training of employees to grade two or more commodities is impractical.

RECOMMENDATION: The present organization of the grading programs at the service delivery level should be maintained.

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PART III: ORGANIZATIONAL ALTERNATIVES

After determining that significant cost savings would not result from cross-training and additional cross-utilization of graders, the task force considered whether significant cost savings could be realized above the grader level, and whether program management could be improved by other organizational configurations. Management considerations such as the ability to improve supervisory proficiency, enhance the quality of grading practices, streamline the lines of authority, clarify the channels of communication, and strengthen the relationships with the trade, either individually or in combination with one or more others, can be as important in organizational design as cost considerations. Consequently, the task force looked at a wide range of factors, including but not limited to cost considerations.

A. Initial Considerations

Before considering organizational alternatives, it was necessary to determine the first appropriate level at which changes can feasibly take place. Accordingly, the task force examined the ability to make changes in the utilization of supervisors and the potential for relocating offices.

1. Utilization of Supervisors

The first issue evaluated was the potential for utilizing supervisors to supervise more than one commodity. Before designing organizational alternatives it was necessary to determine the requisite level of knowledges for each supervisory level.

a. First-Level Supervision: During the California survey, the task force carefully considered the potential for assigning first-level supervisors to be responsible for all AMS graders in a specified area regardless of the commodity graded. For many of the same reasons leading to our recommendation that the grading programs not be reorganized at the grader level, we found several significant factors arguing against reorganization at the first-line supervisor level:

(1) Like the graders, we found that the usage of first-line supervisors is at a very high level, with no measurable downtime; therefore, making it unlikely that there would be any significant savings from extensive cross-training or cross-utilization. Given a significant turnover rate among graders and the need for them to be intensively trained in technical skills over a period of 1 to 2 years, the supervisors are fully occupied with their present supervisory duties.

(2) Cross-training supervisors would be very expensive and time-consuming and require continuing refresher training to stay proficient in each commodity. In order to perform onsite appeals or relief, and evaluate employees' performance, supervisors must be proficient in each commodity supervised.

(3) As with the graders, the geographic dispersion of our grading programs offers new practical opportunities for significant cross-utilization.

Consequently, the task force found that first-level supervisors cannot be efficiently cross-trained to perform in multiple technical grading assignments and accordingly that routine cross-commodity supervision of graders is not feasible. Conversely, it was concluded that supervisors can be readily trained to evaluate performance of certain acceptance work, either as full-time acceptance supervisors across commodities, or in conjunction with supervising grading assignments in a particular commodity.

b. Supervision Above the First Level: The need for commodity grading skills somewhat diminishes for supervisors above the first level. Consequently, it might be possible to assign these supervisors and managers to commodities in which they are not technical experts. However, under existing practices, it would be difficult, if not chaotic to assign to an organization an intermediate supervisor, a regional director, or headquarters chief who lacked technical grading knowledge in the commodity. Presently, these supervisors use their technical proficiencies to a major extent in problem-solving, training, evaluating, and in selecting assignments for subordinates. However, if a new organizational structure required an alternative management approach, these responsibilities could feasibly be altered through major procedural adjustments.

2. Collocation of Offices

During the California survey, the task force examined the feasibility of collocating regional and field offices from different commodity programs with the view toward creating generalized offices under centralized leadership.

a. Regional Offices: The task force determined that regional offices could be moved almost anywhere reasonable without significant long-term cost or service impact provided they were located in or near metropolitan areas with easy access to major air transportation and mail service. Centrally locating regional offices in serviced areas reduces travel costs of getting to and from all service points, but is not a critical consideration in location selection.

b. Field Offices: Field offices, to the contrary, need to be close to their service areas, particularly in those situations where part-time or intermittent service is provided to clients from a central point such as the field office. For example, the Fresh Products offices in Burlingame and Los Angeles, California, are strategically placed to provide the most expeditious response to service requests at the least possible cost. Due to the nature of the work, graders in those offices are not and cannot be assigned to any particular applicant for as much as a full day. Service at a particular site may last for as short a period as 15 minutes. During the course of a day, a Fresh Products grader may move among 10 to 15 applicants on short notice. The field office must serve as the nerve center and staging area. Graders, including the supervisor, must be available to get to assignments as quickly and inexpensively as possible.

In Los Angeles, the vast majority of Fresh Products applicants are within several blocks in and surrounding the terminal market and are within easy walking distance of the office. Relocation of the office to another location, such as the center city, would result in additional costs (e.g., mileage payments, lease of GSA cars, additional graders to recover the lost productivity resulting from additional travel hours) and reduced timeliness of service. Unless significant offsetting cost savings could be realized by any collocation, the result would be increased costs to pass along to the applicant.

In Burlingame, the result would be the same despite completely different circumstances. Applicants serviced by the Burlingame office are located in several areas, including San Francisco, South San Francisco, and Oakland. In order to move the graders from site-to-site, the office is located where it can most effectively service all dispersed sites. In all cases travel by car is required, but all sites remain easily-serviceable from the one location.

Most other California field offices are similarly situated. The Livestock office in Bell is located within quick commuting distance of 75 percent or more of its applicants. The Processed Products offices in San Jose and Stockton service wider geographic areas but are strategically located to minimize travel costs. (Within the past couple of years, Processed Products extensively studied the feasibility of combining those two offices but determined it would not result in cost savings.)

Despite the inadvisability of moving many field offices out of their service areas, there may be situations where collocation would be possible, and perhaps desirable. For example, in Los Angeles, the service areas for Fresh Products and Livestock are concentrated and in close proximity to each other. The geographic areas for Processed Products and Poultry are moderately dispersed, requiring only that those offices remain in the general vicinity of Los Angeles. Consequently, provided a suitable site near the terminal market could be found, all four field operations could be collocated. In Fresno, where the Dairy, Processed Products, and Cotton programs each have offices, they could be similarly collocated.

For other offices in California, collocation would not be as feasible. In the San Francisco Bay area, for example, the Fresh Products office needs to remain near its present site. Relocation of Processed Products offices from San Jose and Stockton would result in increased costs and minor service problems, as would relocation of the Modesto Poultry Field Office. The other California field offices in Bakersfield (Cotton), El Centro (Cotton), and Indio (Processed Products) would experience similar problems if relocated.

As the maps on pages 1-4 through 1-9 display, AMS field offices are widely dispersed across the country. With few exceptions (e.g., Chicago, Denver, Seattle) field offices from various divisions are rarely located in the same cities. While a case-by-case study might determine that some offices could be collocated cost-effectively it appears that most field offices are strategically located in relation to their respective service sites and that widespread collocation of field offices is neither feasible nor desirable.

B. Alternative Hierarchy Analysis

As a foundation for evaluating alternative organizational structures above the first supervisor level, the task force relied on the conclusions reached in the California study. Essentially the relevant conclusions are as follows:

- Graders need to remain specialized in commodities except in special situations;
- First-level supervisors should be equally specialized;
- Field offices must be strategically located to provide optimum service and should not be relocated except where a case-by-case analysis shows it to be practical;
- Regional directors and their offices can be relocated; and,
- With proper allowances managers at the regional director level and above could supervise operations across commodities.

The task force initially considered a wide variety of organizational alternatives, but focused its assessments on two structural concepts, a multi-commodity regional office model and a model with separate grading divisions. These structures are described in basic form in following paragraphs.

In Alternative 1 (the multi-commodity regional model displayed in Figure 13 below), the grading and standardization programs are removed from the existing commodity divisions and report to a new Assistant Administrator position. Graders and supervisors in all commodities in a specific geographic area report to a single regional director. This becomes, therefore, an organization aligned more along functional lines.

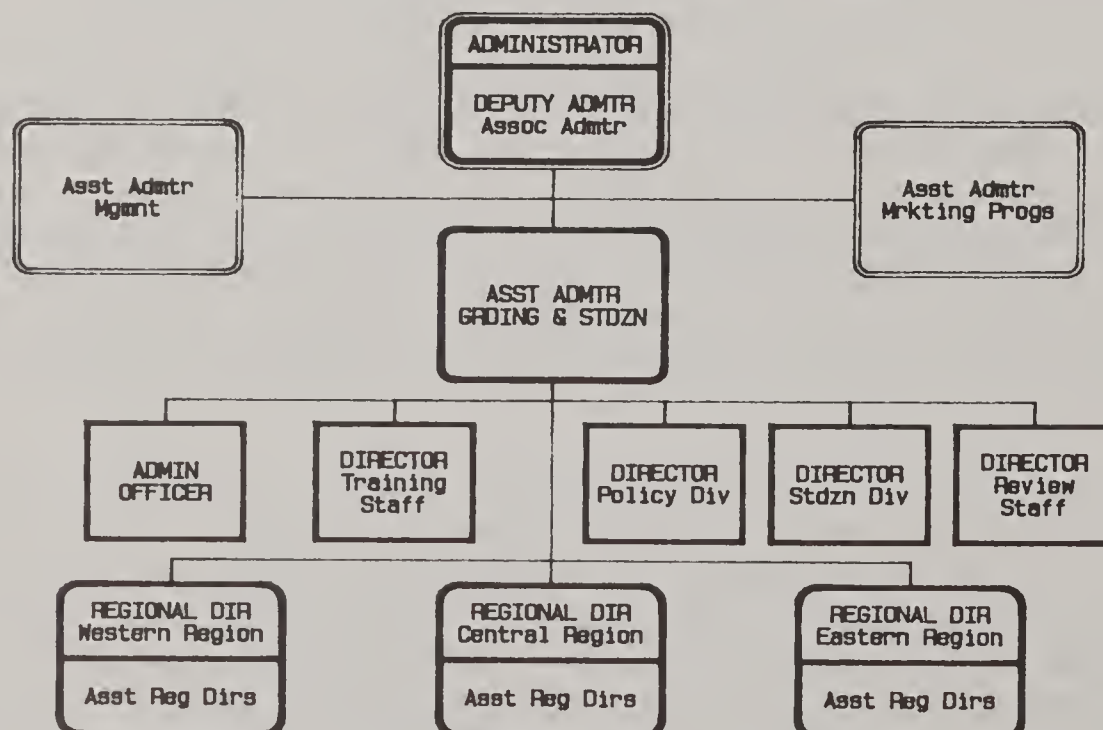


FIGURE 13

For discussion purposes, Alternative 1 also includes a functional alignment of headquarters staff organizations under the Assistant Administrator for Grading and Standardization. Although a commodity alignment of headquarters staff organizations is feasible, a functional staff alignment would be preferable for reasons that will be discussed later in the report.

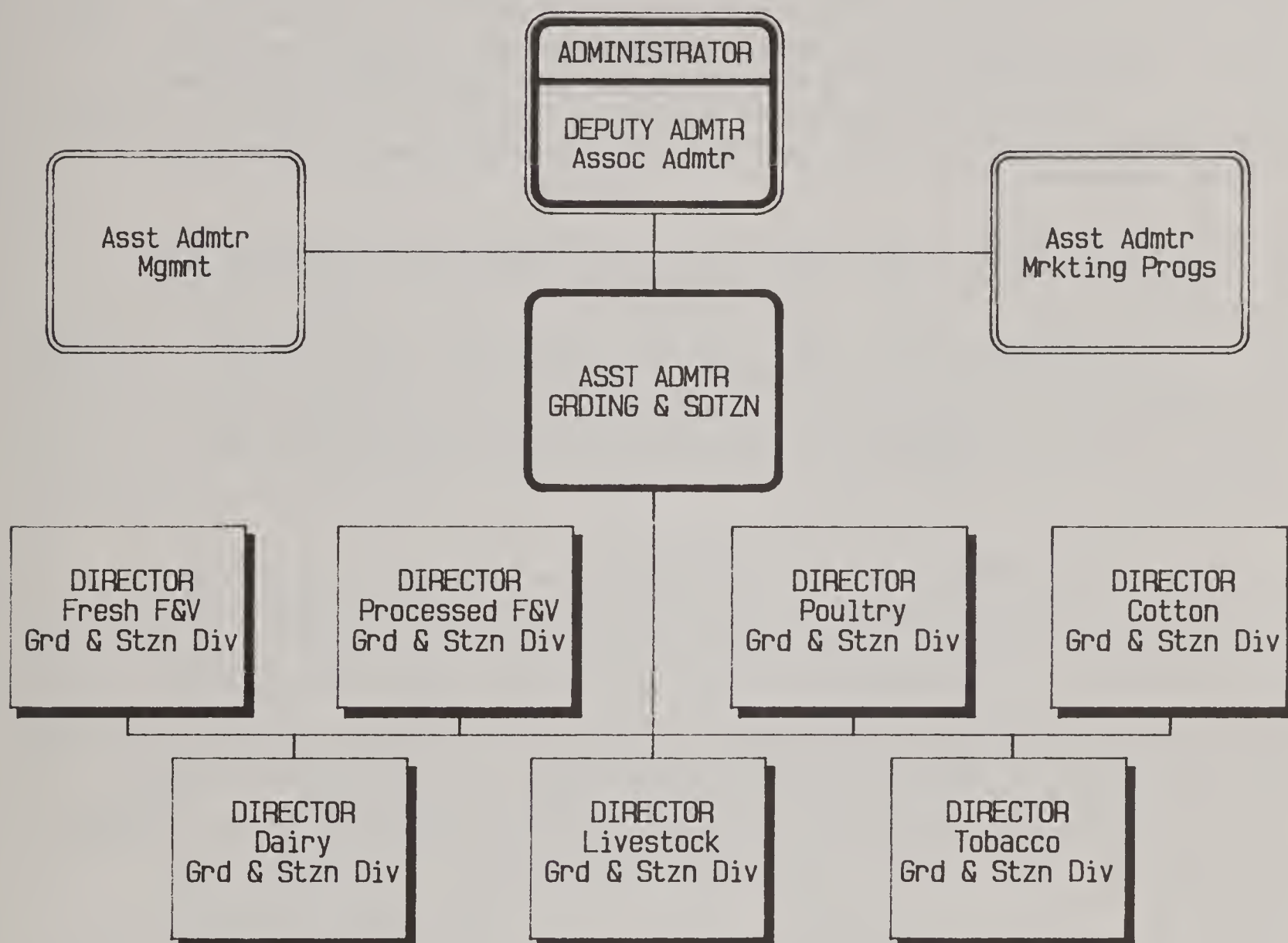


FIGURE 14

Alternative 2, the separate grading division model (Figure 14 above) removes the grading and standardization programs from the existing commodity divisions with each reporting to a new position of Assistant Administrator for Grading and Standardization. This remains essentially, a commodity organization, but with fewer intermediate supervisory/managerial levels.

1. Methodology

To evaluate the various options and their variations, the task force initially developed the two broad conceptual alternatives (Figures 13 and 14) and then conducted interviews with key figures within the Agency, other USDA agencies, and State government officials.

Within the Agency, all grading branch chiefs, division directors, and deputy administrators were interviewed. The team also interviewed the Associate Administrator for Compliance to receive his views relative to the potential impact of the alternative structures on maintaining or improving Agency technical performance. The task force additionally interviewed officials in the Agency who were in managerial positions during the period when the grading, standardization, and commodity procurement programs were separated from the other marketing programs in AMS (1976-1981) and combined with meat and poultry inspection programs in the Food Safety and Quality Service (FSQS). Branch chiefs from non-grading AMS functions were interviewed as well for an additional perspective regarding the nature of coordination and cooperation which is considered necessary between those programs and the grading programs.

In addition to Agency interviews, the team sought feedback from several State government officials on the success of functional organizations in those States and to solicit their perception of the potential impact that organizational alternatives might have on AMS-State relationships. The team also interviewed officials in several agencies and evaluated other organizations in the Department, concentrating on those which have moved to or from functional alignments. The team attempted to evaluate the objectives of those structures and how those structures succeeded or failed to accomplish those objectives.

Although trade relations is a key consideration in the evaluation of organizational alternatives, no effort was made to contact any trade organizations. The task force believed that such contacts would be more appropriate after the Agency had completed its initial introspection.

The task force understood from the beginning the subjective bias inherent in primarily seeking counsel from within the Agency and therefore attempted whenever possible to construct the interviews to elicit objective, factual information such as the types of communication and coordination involved in each program. Each of the interviewees also was asked to assess the importance of various managerial objectives (such as trade relations, technical competence, management communication, etc.) in their programs and later to subjectively assess the advantages and disadvantages of alternative organizational structures and their effect on the achievement of those objectives.

The responses were often diverse and understandably colored by the experiences of the individuals, the objectives of the individual programs, and the personalities involved. But taken as a whole, they provided a framework within which to evaluate the alternatives.

From the information gathered in those interviews, the task force evaluated the major alternative structures and concluded for reasons which follow that none provided sufficient advantages to warrant considerable reorganization.

2. Discussion of Alternative Organizational Structures

To design alternatives it was necessary to develop organizational objectives upon which to first build the structure and later upon which to evaluate them. Accordingly, the task force identified the following broad objectives for the organizational alternatives:

- The organization should be designed to afford the greatest potential for cost-efficiency.
- The quality of the grading service must be maintained and strengthened if possible.
- Necessary coordination and communication among functions and commodities should be facilitated.
- Service to applicants and their industries should be maintained at current levels or improved.
- The remaining nongrading functions of AMS must be conducted efficiently.

Having determined that significant savings from cross-training and cross-utilizing graders and first-level supervisors would be unlikely, efforts to identify opportunities to reduce costs and/or improve the utilization of existing resources centered upon the regional and headquarters structures.

a. Discussion of Alternative 1 - The Multi-Commodity Region Model

Alternative 1 would centralize the responsibility for grading in agency field managers, each responsible for all AMS grading service within a distinct geographic area. This would require consolidation of the existing separate regional structures to enable the sharing of overhead resources (i.e., clerks, equipment, office space) thus realizing cost savings through economies of scale (e.g., increased efficiencies of support personnel through functional specialization) and fostering cross-utilization of graders and supervisors to the extent possible.

(1) Staffing Considerations

(a) Regional Supervision: In order to effectively achieve significant cooperation among the various commodity grading programs in any particular location, it would be necessary to establish a single point of authority, (an agency regional director) and to delegate to that position sufficient authority to direct and manage all grading program resources within that region. Although some savings could be achieved by collocation under the existing commodity structure, centralized, local leadership would be necessary to produce significant advances in inter-commodity cooperation. Assuming that one objective is to achieve maximum economic benefit from inter-program coordination, an all-commodity regional director position would be essential.

One of the problems created by establishing individual multi-commodity regional directors would be the inability of those persons to effectively supervise the technical aspects of field operations. Assurance of consistency and quality of operations among field offices would become substantially more difficult as would the ability to evaluate field office supervisors, effectively decide on technical issues raised by those supervisors, and to recommend/approve personnel decisions on employees.

Unless necessary technical competence was available in the region, the burden of working with field offices on technical issues would therefore transfer to the agency headquarters, thus elongating and obscuring the lines of communication and authority. It would therefore be critical to provide regional directors with assistant regional directors in each of the commodity categories supervised. Rather than have the assistant regional directors serve as staff advisors, it would appear to be more advantageous to provide them with direct-line authority for overseeing the field offices in their respective commodities.

Although this additional layer of supervision extends the chains of command, it provides a needed source of technical expertise in the regional office, promotes greater emphasis on the quality of each commodity grading service, institutes a more manageable span of control, and provides a screening buffer between the field offices and the regional director.

(b) Regional Support Services: The consolidation into multi-commodity regional offices brings together the support services for the several diverse programs. Regional commodity programs presently operate under separate structures, management approaches, and delegations of authority. For example, the Dairy Division has no field offices and provides all support services out of four regional offices. The Poultry Division has centralized most support services in its regional offices. The Livestock and Seed Division has centralized many services in its regions but has reserved other responsibilities for its headquarters administrative office. Both Fruit and Vegetable Division grading branches have decentralized their billings and collections services in their field offices, while retaining other administrative responsibilities in their regional offices. As an additional consideration, each grading program utilizes different billings and collections procedures, some use the National Finance Center Billings and Collections System and others have unique systems for billing applicants and collecting fees, use different forms and filing systems, and utilize different administrative practices.

The task force had to determine how these diverse groups could be merged to achieve greater consistency and permit resource pooling. For study purposes, the decision was to maintain existing practices, forms, and levels of service, but to standardize the level of administrative delegations by centralizing the major responsibility for all administrative functions in the regional offices. This would involve increasing authority for administrative decisions in the regional office and recalling many delegations made to field offices (principally in the Fruit and Vegetable offices). A centralized administrative service group was established in the model to create a resource pool for each region. This effectively separated the administrative functions from the technical authority of the field offices and assistant regional directors.

For purposes of this study the task force made no effort to standardize supervisory structures or management practices of the grading programs assuming (especially for cost comparison purposes) that the same level of supervision for each program would continue. Thus, where regional offices such as poultry presently have staff specialists to supervise various subprograms (such as egg products), those positions were retained in the model structure. A staffing chart depicting a hypothetical regional organization is shown in Figure 15.

HYPOTHETICAL STAFFING OF EASTERN REGIONAL OFFICE

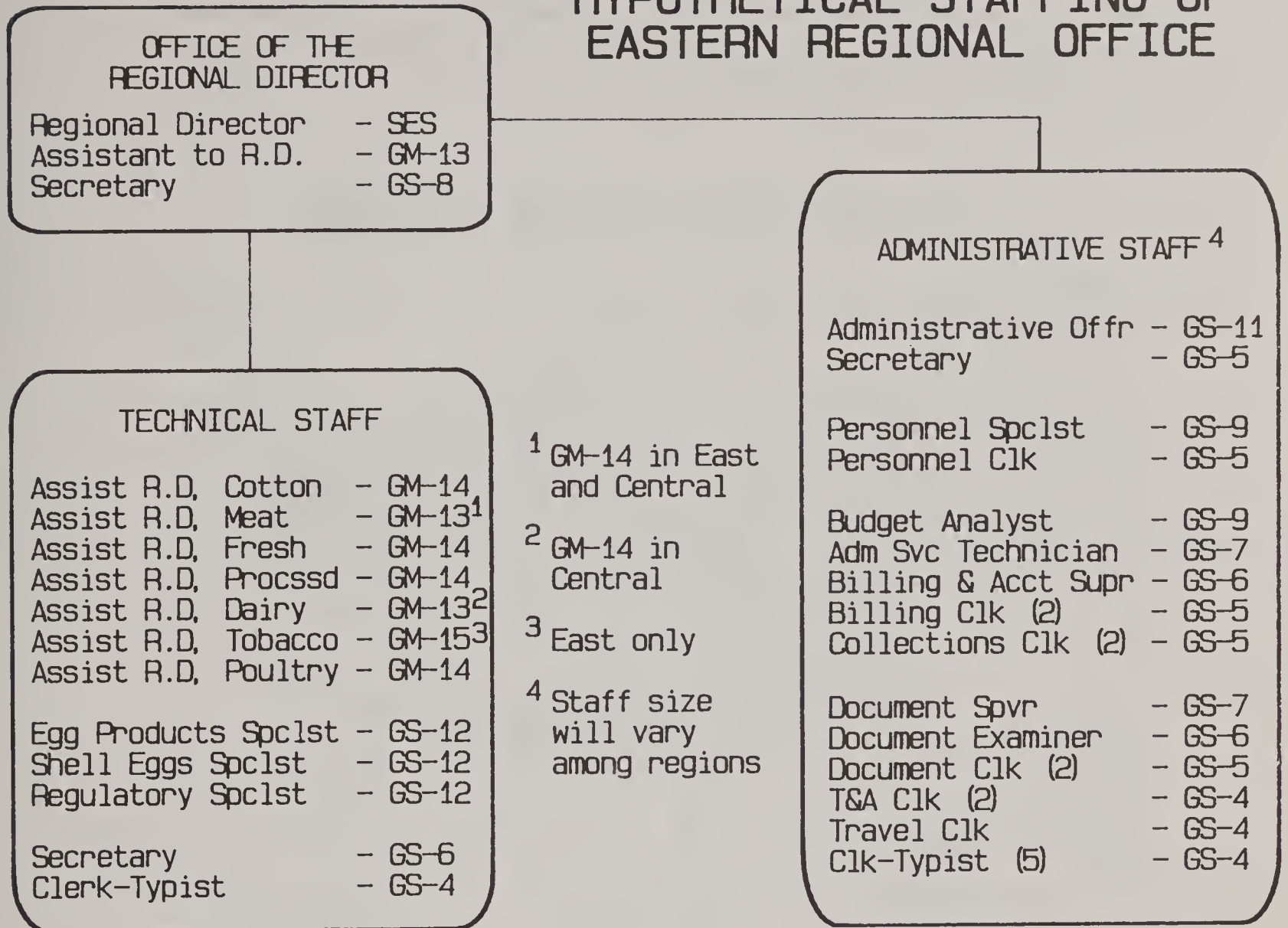


FIGURE 15

The staffing table shown in Figure 15 is based upon a field structure comprised of three geographic regions. This permits a reasonable balance of employees, field offices, and programs while permitting sufficient reductions in expenses through economies of scale. In conformance with OMB Circular A-105 dated April 4, 1974, and U.S. Department of Agriculture Regulation 1010-1 dated April 4, 1986, the regions are modeled along combinations of GSA standard regions. San Francisco, Kansas City, and Atlanta are selected from among GSA regional centers as potential AMS regional cities primarily on the basis of their positions relative to the volume of service performed in their regions.

(Detailed study of regional boundaries and regional office locations would be necessary if the decision were made to reorganize in this manner.) A map of the three regions and a detailed organizational chart of a typical regional structure are shown below:

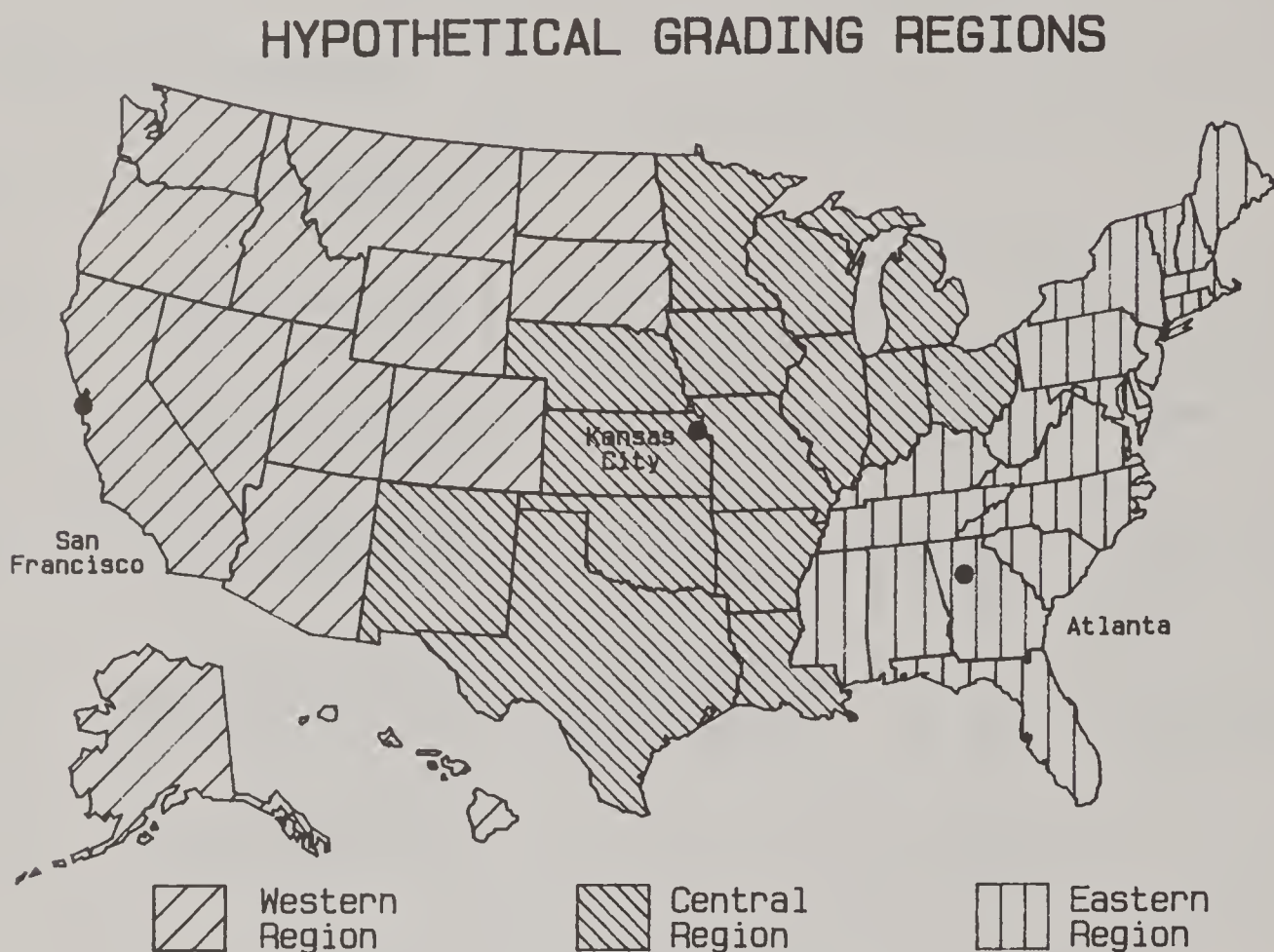


FIGURE 16

(c) Headquarters Staffs: The organizational chart shown as Figure 16 completely severs the line authority to the field operation of the grading programs from the existing headquarters policy staffs. The headquarters staff could be configured in several ways. One alternative considered was to leave all existing headquarters staffs intact in the existing commodity divisions. However, dividing the authority for policy, evaluation, standardization, and training from the responsibility for field operations would result in insurmountable problems in managing the field operations. Accordingly, all responsibilities for grading and standardization should be transferred to the newly established position of Assistant Administrator.

In order to foster uniformity and to streamline the chain of command, a functional realignment of headquarters grading and standardization functions was adopted for the model. This alignment strengthens the support among similar functions (i.e., standards development, policy development, and evaluation) and affords the Assistant Administrator for Grading and Standardization the opportunity to achieve greater uniformity of these functions.

The need to continue and perhaps augment grading policy groups increases in importance in a regional multi-commodity structure as it becomes necessary to communicate policies across regions without the assistance of linear lines of authority. Such groups would also be necessary as resources for the field programs to obtain technical advice on unusual problems, and for counsel on technical issues raised by either the regional director or by the Administrator, the Department, the trade, or Congress. A review staff would also gain increased importance in order to ensure consistency and uniformity among regions, particularly in grading determinations. Centralized, as one unit, the review staff could also serve as an analytical arm for evaluating issues which cross regional and programmatic lines, and serve as a valuable tool in the planning process.

The administrative functions presently residing within the commodity divisions would also be removed and pooled. The regional structure invites increased administrative delegations and functional alignment of staff offices and facilitates pooling the residual administrative support functions to service the staff offices and provide necessary administrative policy. (A detailed chart of the headquarters structure is displayed below in Figure 17.)

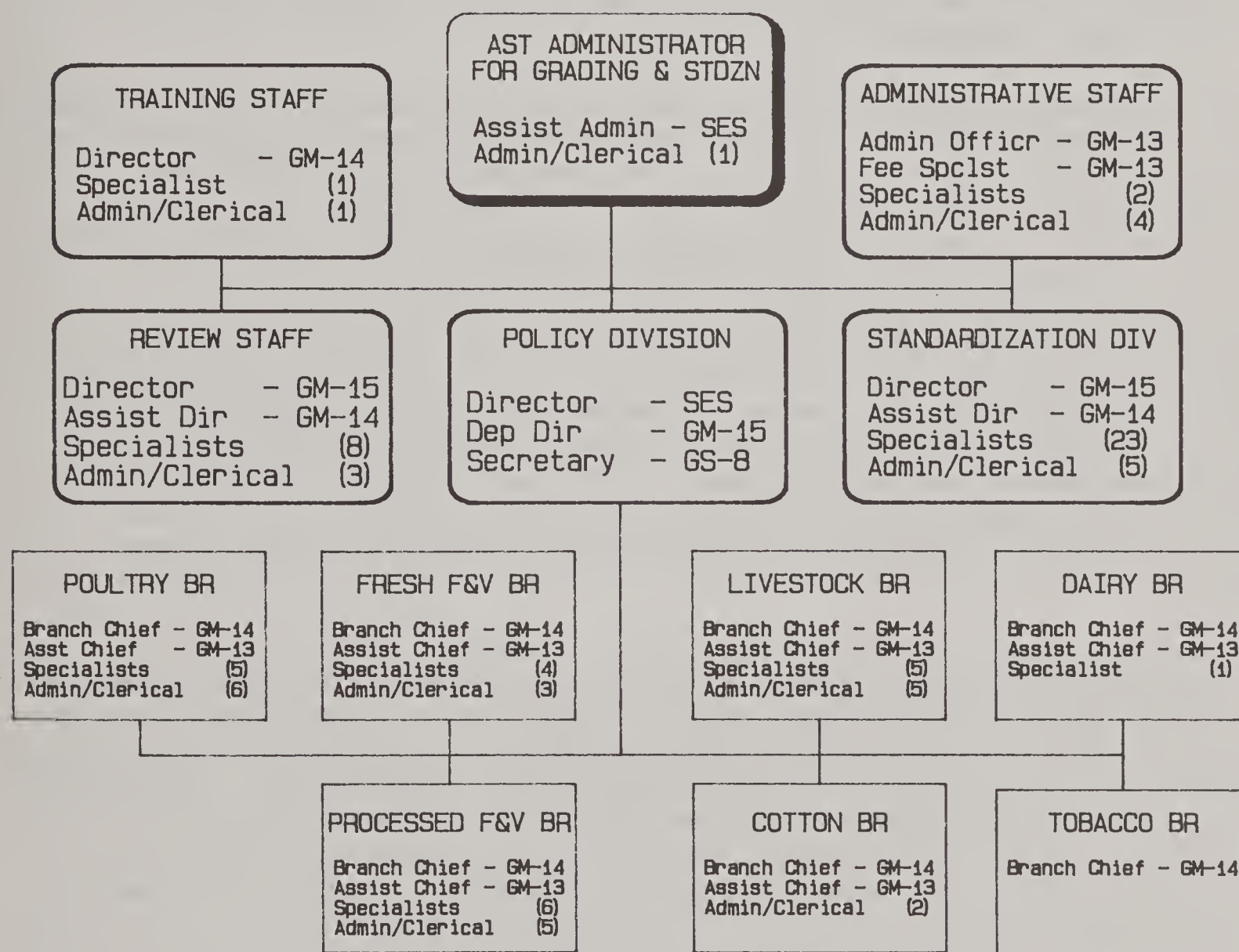


FIGURE 17

Figure 17 also displays a configuration which creates a single Assistant Administrator with clear authority subordinate to the Administrator for managing all Agency grading and standardization programs.

(2) Advantages of Multi-Commodity Region Model

The advantages of a centralized regional structure are obvious in many instances, the disadvantages less obvious but more serious.

One of the advantages of a centralized regional structure with functional headquarters staff offices is the potential to achieve greater uniformity among the grading programs. In such a region, particularly one with a full spectrum of commodity responsibilities and the objective of cross-utilizing resources, the need for attention to maximum consistency and uniformity would be extremely great. The centralized policy, standardization, evaluation, and administrative policy groups in headquarters would be more prone to develop common policies and practices. This would lead to greater uniformity of administrative policies (such as policies on clothing allowances, discretionary travel payments, discipline of employees, and performance management) administrative procedures (such as billings and collections and fee setting procedures), forms, nomenclature, technical policies and technical methods (such as sampling techniques, laboratory procedures, and plant sanitation standards).

Another advantage is the potential cost savings inherent in a consolidated, functional organization. The multi-commodity region model displayed earlier in this part (page 3-4), could result in a maximum annual savings of \$435,000 per year after implementation and residual costs were recouped in several years. (A detailed cost analysis is included in Appendix G.) This represents primarily a savings of up to \$276,000 in salary costs which accrue from abolishing several supervisory positions at the regional and headquarters levels, and by reducing the number of clerks at headquarters. (Consolidation of the regions would result in only a net saving of one position in the field as a result of the need to transfer responsibilities to the field from several divisions in order to obtain uniformity of delegations and administrative practices.) This savings represents the maximum savings anticipated. Possible additional permanent costs and probable one time implementation costs will be discussed later in the report.

The regional structure also places greater emphasis on technical decision-making at lower levels. Only two or in some cases three levels (the field office and assistant regional director) of technical authority exist in this structure. The regional director and Assistant Administrator presumably would lack specific knowledge in most commodities. Headquarters policy staffs would provide technical advice but technical operating decisions would rest predominantly at the two lowest supervisory levels. This places additional authority in those positions but also increases the pressures and risks.

The regional organization would also bring a form of streamlining to the Agency. The executive level, presently two or three levels removed from the field operations, would be only one level removed from the field. Emerging problems and trends potentially would surface more readily from both the

field and staff directors, each of whom would report directly to an Assistant Administrator. Accordingly, technical and administrative issues would presumably receive greater executive-level attention (and require greater executive-level time). Uniform communication of policies, goals, and objectives would also be facilitated throughout the grading programs.

Several aspects of external communication and control also might be improved by such an organizational design. Coordination with many State grading and inspection agencies might be enhanced by fewer points of contact. Communication with administrative service agencies ranging from Government Services Administration, to NFC, to APHIS Field Service Office and AMS administrative management divisions would presumably be improved. Standardized practices, forms, and contact points would facilitate the work of those external service arms as well as foster, through centralization and specialization, a more proficient internal administrative staff.

The regional organization would facilitate cross-utilization of resources. A centralized region would be more apt to independently pursue those few instances where graders could be cross-trained to grade more than one commodity line, instances where cross-commodity sampling would reduce costs and collocation of field offices. A centralized organization inherently fosters sharing of support resources and equipment. Through pooling of resources greater opportunity for automation would exist, particularly in those programs lacking sufficient resources to independently pursue initiatives such as greater automation.

(3) Disadvantages of Multi-Commodity Region Model

In the view of almost everyone interviewed, the primary obstacles to successful implementation of this alternative were the problems created by the decentralization of technical authority. The task of ensuring consistent technical policy and methodology across the three regions would be exacerbated. The potential for inconsistent application of grading standards among the regions would be a significant risk. Despite increased review efforts (which themselves might lose a technical edge if removed from the commodity operations) and added emphasis to the training efforts, technical consistency would inevitably suffer; only the degree and severity of the drop were debatable.

From the Agency's perspective, status and leverage with the trade would decrease. Commodity directors each presently represent all AMS programs related to their respective commodities when working out agreements with the trade groups. Separation of commodity functions would not only lessen the breadth of knowledge of Agency representatives but would lessen their ability to effectively represent the Agency when dealing with the trade.

Trade groups are organized to collectively represent similar commodity groups. Splitting the Agency functionally would diminish the influence that program officials have with those trades. Additionally, the number of AMS officials necessary to maintain trade liaison would significantly increase. Functional staff offices would work with corresponding functional committees within the major trade groups to increasingly look to the Assistant Administrator and Deputy Administrator as the first executive levels at which program-wide and commodity-wide responsibility reside. The number of

officials representing the Agency at trade functions would probably increase as staff and line officials in the grading organizations and officials from the marketing divisions would feel compelled to represent their respective programs.

A more important consideration is the probable negative reaction of trade organizations and industry representatives; it can be assumed that trade associations prefer commodity alignments within the Department. Because industries and to a large extent trade groups are themselves organized along commodity lines, it is easier for them to conduct business, secure information, obtain services, and solve concerns through commodity-oriented contacts. Significant consensus exists throughout the task force and those interviewed that many of the most influential groups would oppose any movement by the Agency to break up the existing commodity alignment unless significant cost savings to them could be demonstrated.

Despite commodity alignment at the grader level and any internal financial controls which the Agency could establish, trade groups would be concerned and even suspicious about the appropriate use of their user fees when lines of accountability become less evident. The loss of commodity identification at the staff office level would add to their concerns that money collected from their members was being spent to subsidize other commodity programs.

Lack of commodity-knowledgable managers at the heads of the grading and standardization organizations both in the field and in the Agency headquarters would raise users' concerns that their priorities were not understood and their interests not well attended to within the Agency.

The result of industry dissatisfaction with the organization would likely be evident in the reaction of Congressional delegations. Good working relations with the trades, should the reorganization be accomplished over their objections, might also suffer. Continued industry resistance could be expected absent measurable or observable improvement of operations by the Agency. Manifested through Congressional or executive branch action, this would conceivably bring about the eventual return to commodity organization, as happened in 1981 when the trades prevailed upon the new administration to reorganize and return the grading programs to AMS.

Shortages in one geographic area of graders knowledgable in a particular specialty often require movement of graders between regions. Under the multi-commodity regional concept, that movement would be potentially impaired because of less clear authority and disagreements over competing priorities. Beyond the cooperation of regional directors, this could likely require the elevation of staffing issues to the Assistant Administrator level to settle disputes, essentially forcing such issues two levels higher than under the current organizational structure.

Knowledge of talent pools would also be weakened under the regional model. Section or branch level officials presently track high potential individuals and are generally aware of the level of individual abilities. In the regional structure, knowledge about individual abilities of graders in other regions would be indistinct. Selection of supervisors, presently done in most grading programs by branch-level officials, would become the province of assistant regional directors. Even if policy and evaluation officials

provide additional information, personnel selections would probably be affected, possibly resulting in a geographic inbreeding as regions select known individuals in preference to those they do not know.

The costs to implement such a change in the organizational structure would be significant if not prohibitive. Moving 12 existing regional offices and restructuring the headquarters would result in approximately 170 transfers of employees or positions affected by reduction-in-force. The costs associated with relocation expenses, severance pay, and unemployment compensation alone would approach or exceed two and one quarter million dollars.

Indirect organizational costs would be enormous. Experience has demonstrated that extremely few clerical and administrative employees accept reassignment and this would result in approximately 120 critical positions becoming vacant during the transfer.

As an additional obstacle, the degree of change involved in such a reorganization minimizes the potential for running a pilot or for phasing the consolidation and would make it equally difficult to reorganize again should the structure fail to achieve its objectives.

(4) Evaluation of the Multi-Commodity Region Model

The advantages of this organizational model are noteworthy, but when compared against the disadvantages they provide insufficient justification to warrant reorganization.

Uniformity among the various commodity grading programs, though a valid objective, is not critical. However, uniformity within grading programs for identical commodities among regions is critical and the regional approach would put such uniformity in jeopardy. Each grading program operates separately, providing service only to one or more distinct commodities or commodity groups utilizing fees collected and reserved for that purpose. Standards and practices have evolved to meet the unique circumstances of the commodities graded, often after close consultation with the separate industries which voluntarily seek AMS services and for whom the benefit of services accrue.

A regional organization would promote consistency of operations and facilitate administrative support operations, such as automation of processes, budget preparation, and budget reconciliations, but those needs are not as critical among the grading programs as they would be among more closely aligned functions in many other agencies.

The decentralizing of authority to regional units provides no real promise for improving either the quality or timeliness of technical decisions. Issues presently raised to headquarters offices for decision still would have to be raised to the headquarters staff for advice. Timeliness could in fact be negatively affected in those instances where the field operations and staff offices disagree on courses of action. Under the existing structure, the branch offices can determine a course of action and quickly resolve any disagreements. In the regional alternative, disagreements

between staff and operations would be raised through the chains of command, presumably resulting in the policy director and the respective regional director addressing the issue with the Assistant Administrator.

This separation of staff responsibility and operations authority raises the imposing specter of nonproductive conflict and rivalry. The risk resulting from the split of staff and operations at such a high level in the organization places the smooth functioning of the system at great risk. Interviews with officials in agencies which either have or had such organizations contributed to a belief that nonproductive conflict is inherent to such alignments and severely inhibits the successful management of those programs. Successful operation of the regional system would depend on retaining high caliber individuals in each of the key positions (Assistant Administrator, regional directors, staff directors) who could work effectively and cooperatively. Should personalities get in the way (as they inevitably did in those organizations examined) the delicate balance would be interrupted and operations would suffer. This cooperation could be severely strained during the early phases of a regional reorganization when key managers would be transferred involuntarily and placed in positions where responsibilities and authorities were unclear due to the newness of the structure. The risk of systems breakdown would be very high, particularly during the transition years.

The advantages associated with improved external communications would be minimal. Few problems and none of significance exist in the current organization of AMS grading in the area of external communications. The grading programs have few contacts with other agencies or departments which would be appreciably improved by organizational changes. Consequently, that advantage is negligible.

The potential cost savings through a regional reorganization are minimal at best. The organizational models were constructed with the objective of reducing costs and included the elimination of positions which might have to be added after further analysis. For example, few deputy positions were identified. However, the Assistant Administrator, the regional directors, and the assistant regional directors particularly would be vulnerable to a need for greater assistance. The addition of single assistants for the Assistant Administrator, each regional director, and for one assistant regional director in each region would require seven additional positions and eliminate nearly half of the identified potential savings. Additionally, the clerical and administrative support staffs have been trimmed, assuming greater efficiency through economies of scale and specialization. Should such efficiencies not occur or should they occur to a lesser degree, additional resources would be needed to supplement those in the model.

The half million dollars of cost savings identified thus could be easily reduced 50 percent or more when the reorganization was actually implemented. The 16 positions which could be theoretically saved to achieve the cost savings could be reduced to 10 or fewer positions in the final structure. In either case the actual staff and cost savings are proportionately small. Compared to the \$121 million in total Federal revenue even the maximum, \$435 thousand cost savings would represent less than .5 percent of the total grading and standardization costs. The actual cost savings available to pass on to individual applicants would be

minimal. (For example, dairy grading fees could eventually be reduced 8 cents per hour and meat grading 15 cents per hour based upon 4 percent savings.) Conversely, in order to recoup first-year implementation costs, rates would have to be temporarily increased by more significant amounts (for example, hourly dairy grading fees would have to be increased an estimated 22 cents per hour, and meat grading an estimated 41 cents per hour).

The cost savings from increased grader cross-utilization are also minimal. Additionally, there is the uncalculated impact the reorganization might have on miscellaneous expenses such as travel, training, and communications. All these expenses increase as a result of moving several regional offices further from both their concentration of service sites and as a result of the need for increased field contact by the headquarters staff.

(5) Conclusion: The disadvantages, when measured against what little net costs might be saved in the long run (after several years when implementation costs would be recouped) far outweigh the advantages. The task force concluded that the lines of authority and responsibility between the staff and operational components would be too confusing and ill-defined to maintain program success at current levels. The task force therefore concluded that the risks of losing grading consistency and integrity under this system were severe enough to warrant a strong recommendation against further consideration of multi-commodity regional alternatives.

b. Discussion of Alternative 2 - The Separate Grading Divisions Model

The second alternative structure examined was one which essentially removes the grading and standardization programs from the existing commodity divisions and places both under the management of an Assistant Administrator. The desirability of further segmenting the program into sub-functional organizations (i.e., grading, standardization, review and evaluation, etc.) was discounted for many of the reasons described in Alternative 1, i.e., diminished accountability, responsiveness, and technical proficiency. Although further refinement of the alternative structure would be necessary if adopted, for cost comparison and conceptual evaluation purposes the existing level of detail suffices.

(1) Advantages: The principal advantage that Alternative 2 has over the existing commodity structure is that it would elevate the priority of attention given to grading and standardization issues when compared to being grouped with other often more controversial or sensitive functions. Conceptually this would foster opportunities for developing greater inter-commodity communication and uniformity of practices. Presently, efforts to achieve resource sharing, consistency of management practices, and uniformity of procedures must reside at the Administrator or Deputy Administrator level. Structural reorganization would permit centralized focus of those issues at a lower level in the Agency.

(2) Disadvantages: One disadvantage would be the loss of coordination between commodity oriented functions. As discussed earlier, it often is important for officials in each function to remain aware of industry trends and the interdependence of Agency activities in their relative commodities. The present commodity structure facilitates such sharing of information, but dividing the functions into two groups (one grading and standardization, the

second all other commodity functions) would weaken the information link among the various commodity functions. This disadvantage was demonstrated during the FSQS period when the grading functions were allied with the meat and poultry inspection activities.

Another disadvantage of creating separate commodity divisions would be the negative effect it might have with service users, in part reflecting the observation above. Applicants, trade organizations, and their Congressional delegations would have two commodity division leaders with whom to work, one for grading and standardization, and a second for other AMS functions (i.e., market news, commodity procurement, marketing orders, research and promotion, etc., as appropriate). Although the reaction of industry to this separation would not be as negative as their reaction would be to the multi-commodity regional model described in Alternative 1, consensus among those interviewed suggests the probability that several industry groups would disapprove of such a reorganization for many of the same reasons discussed under Alternative 1.

A third disadvantage is the increased costs of such an alignment. Even after identifying opportunities for cross-commodity pooling of administrative resources and without creating additional staff (as detailed in the staffing table in Appendix G), the creation of separate grading and standardization divisions and a new executive level position results in 15 additional positions, most of which would be higher graded (GM and SES) positions. As a consequence, such reorganization would result in additional annual costs of approximately \$670,000 annually. In practice, some of these increased costs probably could be offset by combining administrative support operations in the grading and standardization divisions, or by perhaps combining commodities groups into fewer grading and standardization divisions. However, reorganization also conceivably could result in an even greater number of positions than included in the model if it were to become necessary to retain separate administrative groups in each of the commodity marketing divisions or to create any staff positions in the offices of the Assistant Administrators. Regardless of final staff figures, the organization would likely cost more than the existing organizational structure.

An issue evident but not addressed in Alternative 1 (because of other overwhelming disadvantages) becomes worthy of mention in this model. That factor is the likely effect reorganization along functional lines may have on the efficiency of the Agency's nongrading functions. Should the grading and standardization functions be stripped from the existing commodity divisions, few commodity divisions could continue to function as single commodity units because of inadequacies of scale; this likely would force functional consolidation of the remaining activities, the effect of realignment of which was not addressed by the task force.

(3) Evaluation: The costs under any circumstance would not be an important consideration in the evaluation of this alternative. The additional costs involved are an insignificant percent of the total costs of the program (less than one half of one percent). Additionally, the implementation costs virtually would be negligible (primarily internal movement of furniture, equipment, and telephone lines, as well as additional space, furniture, and equipment).

Any net advantage which would arise from this alignment is questionable. As the FSQS experience demonstrated, the organization would have no intrinsic motivation or ability to foster significantly greater functional cooperation and uniformity. During the years when the grading programs were separated from the marketing programs and assigned to what then was FSQS, they were left unaligned with the other functional programs in FSQS and reported to an executive level position primarily responsible for grading, standardization, and commodity procurement programs for edible commodities. Although policy objectives were different during those years, making that experience a less than perfect functional trial period, certain observations are nevertheless applicable. (1) The various commodity grading programs continued to operate independently, driven principally by user needs. (2) Despite an organizational framework which might have encouraged greater uniformity, such attempts were given little priority. For example, in FSQS Dairy and Poultry grading, standardization, and commodity procurement were combined into one division. Despite reporting to one division director and sharing one administrative office, the two commodity groups failed in 4 years to unify administrative practices or find common ground to share resources or technical methodologies. The combination of Fresh and Processed Products into a single division in FSQS similarly led to few advances in cooperation or uniformity. Each of the grading programs operated independently like a business entity, striving to efficiently serve its fee-paying users.

(4) Conclusion: On the basis of a limited analysis of this alternative, the task force concluded that any advantages of such a structure do not appear to warrant realigning the Agency by creation of separate grading divisions reporting to a separate Assistant Administrator. More analysis would be needed to fully evaluate the consequences of this alternative before embarking on any reorganization effort.

C. Discussion of the Existing Commodity Division Model

Advantages and disadvantages of the existing commodity structure have been discussed elsewhere in the report. The multi-functional commodity division structure provides industry, Congress, and leadership of the Agency (and the Department) with a single managerial-level point of contact. It provides a focus at the Division-level on a wide variety of issues and concerns which affect individual industries and facilitate the ability to meet the service requirements of that industry. It enhances opportunity for communication and coordination among all AMS administered programs within each commodity sector and fosters a clear chain of command from headquarters to the field, capable of rapid execution of changes in policies or practices.

One of the problems with the commodity structure is that it easily insulates commodity functions from similar or differing functions in other commodity divisions. Cooperation, resource sharing, and standardization of methodologies among divisions are difficult to induce without external attention. However, most if not all the problems associated with this structure are challenges to efficient executive management of programs and resources, not barriers. Better inter-commodity cooperation and information sharing remain possible under the existing structure; advances can continue to be made in these areas without upheaval.

D. Summary Conclusions

The apparent satisfaction of the trades with the cost-effectiveness of existing grading services, the absence of any outside impetus for greater uniformity, and the lack of any identified means for decreasing costs without sacrificing service provide no foundation for major reorganization. The California survey of grader utilization demonstrated the success the individual programs have had in achieving efficiency and keeping the program costs (and the costs to the applicants) low. This strongly suggests that the Agency should adapt the current system to implement any new objectives without jeopardizing the basic cost-effectiveness of the current model.

The problems, risks, and implementation costs associated with creating a highly functional organization with centralized regions, as detailed in Alternative 1, suggest that such a structure is undesirable. No overwhelming advantages were identified which would warrant a functional alignment as detailed in Alternative 2. Advantages which might potentially accrue from such a reorganization probably can be achieved through activities and minor adjustments within the existing structure.

Appendix A. Memorandum Establishing the Task Force



United States
Department of
Agriculture

Agricultural
Marketing
Service

Washington,
D.C.
20250

January 5, 1987

To : Deputy Administrators
Deputy Directors

From : J. Patrick Boyle
Administrator

Re : Task Force to Examine Organization of AMS Grading For
Services

In an effort to assess the organizational efficiencies of AMS grading services, I have established a task force to study the feasibility of and quantify any savings from combining edible product grading services into one functional division. I have asked Charles Brader to chair the task force, which will include Connor Kennett, Larry Thackston, Joe Roeder, and Stephen Censky. Each of them is knowledgeable about the management structure of AMS, our program operations, and institutional resources: a combination which is needed to ensure a successful study.

This is obviously a large undertaking and will require the cooperation and support of each of us and of our staffs. Also, I would encourage you to convey to the task force any observations or recommendations which may be helpful. Because the report of the task force is due April 1, 1987, I request that you respond to any requests for information in a timely manner.



Appendix B. Legislative Authority and History

Currently, the legislative authority for AMS grading and inspection programs is embodied in seven different acts:

- Agricultural Marketing Act of 1946
- U.S. Cotton Standards Act
- Cotton Statistics and Estimates Act of 1927 (Smith-Doxey Amendment of 1937 and Cotton Service Testing Amendment of 1941)
- Egg Products Inspection Act
- Tobacco Inspection Act
- Omnibus Budget Reconciliation Act of 1981
- Dairy and Tobacco Adjustment Act of 1983

The Agricultural Marketing Act of 1946 directs the Secretary of Agriculture "to inspect, certify and identify the class, quality, quantity and condition of agricultural products when shipped or received in interstate commerce, under such rules and regulations as the Secretary of Agriculture may prescribe, including assessment and collection of such fees as will be reasonable and as nearly as may be to cover the cost of the service rendered, to the end that agricultural products may be marketed to the best advantage, that trading may be facilitated, and that consumers may be able to obtain the quality of product which they desire, except that no person shall be required to use the service..." This statute provides the authority for all of the AMS grading activities except for cotton and tobacco; the other statutes listed above provide similar authority for those commodities. The Egg Products Inspection Act authorized a mandatory program designed to protect the health and welfare of consumers.

History

All agricultural output exhibits wide product quality variations. This is simply due to the biological nature of the agricultural production process. The quality of output from agriculture cannot be controlled with nearly the precision of an industrial system. While technical advances in the agricultural production sector have led to greater consistency, there still remains a wide diversity of quality in farm products. This intensifies the need for a uniform descriptive system to facilitate the efficient operation of most agricultural markets.

In markets where every lot of product can be personally inspected by the buyer, there may be no need for a descriptive system. But, as specialization in agriculture intensified, so did the need for uniform standards and terms to describe products, to facilitate transactions, and to provide a basis for determining price and value.

As this need became clear there were numerous attempts to develop grades by individual firms, Chambers of Commerce, boards of trade, and State

governments. However, few of these attempts provided the desired results; descriptions frequently were developed to bring the unique characteristics of a product to the attention of potential customers. However, by their very nature, these unique product descriptions did not provide a uniform nomenclature or classification system which could be used widely.

The purpose of uniform grades and standards is: (1) to facilitate trading by providing a limited number of homogeneous categories so that lots within each can be readily substituted as equals in the market; (2) to facilitate information flows in the marketing system including information on preferences, practices, values, and costs; and (3) to facilitate the establishment of price-value relationships for various lots and qualities of products.

With a proliferation of grading systems, these objectives are not met, marketing inefficiencies occur, and there is dissatisfaction on the part of buyers and sellers. For example, by the late 1800's, grain grades had been developed by 30 different States and trade organizations, but most differed in terminology, grade limits, quality requirements, and regulations. As a result, there not only was confusion in the marketing system, but there also was discrimination among buyers and sellers due to the lack of information on which value and price comparisons could be made.

This confusion and the resulting inequities were the primary motivation for developing a uniform system of National grades. The development of price reporting and market news services as well as the need to establish government loan values for products in storage also created pressures for uniform standards in many agricultural industries. Thus, by the late 1800's, it was clear that some National agency was necessary to produce the needed uniformity for workable standards and grades.

Federal involvement in the development of National grades began in 1901 when the Department of Agriculture tried to evaluate the justice of complaints from domestic and European buyers and the extent of nonuniformity in grading. Continued on a restricted basis, this work was expanded in 1906 when the Congress provided funds. These studies continued until the Grain Standards Act of 1916 was approved.

Similar work on cotton grading began in 1907. The Appropriations Act of 1909 provided for the preparation of cotton grade standards. Nine grades were later established, and the sale of sets of the standards was authorized. Though the use of these standards was entirely voluntary, they were used by many exchanges before the Cotton Futures Act of 1914 required the use of official standards in futures trading of cotton.

The Grain Standards Act of 1916 authorized the Secretary of Agriculture to establish standards of quality and condition of grain. The grades established were to be used by federally licensed grain inspectors in inspecting grain for interstate and foreign shipment. The Department of Agriculture experienced some difficulty in administering the Grain Standards

Act as differences of opinion developed between the Department and the grain trade. For the most part, these concerned the consideration of moisture in grading.

In 1916, work was initiated to develop grade standards for livestock and meat. Tentative unpublished grades were used by the Department in reporting prices at the wholesale level. The standards were used by the armed forces in purchasing meat in World War I. Tentative standards for beef carcasses were first published in 1923 and, after revision, were promulgated by the Secretary in 1926 as the official United States Standards for the Grades of Carcass Beef. These standards provided the basis for grading when the voluntary beef grading service began in 1927.

The Food Production Act of 1917 enabled the Secretary of Agriculture to certify to shippers the quality and condition of fruits, vegetables, and other food products when received in central markets designated by the Secretary. Most agricultural commodities appear to have received the major emphasis for Federal grades and standards with the passage of this Act. The United States Cotton Standards Act of 1923 (and the Smith-Doxey Amendment of 1937) provided the legislative authority for the development of classification standards and the operation of classing (grading) services for cotton. This was an attempt to encourage widespread use of grades so that price reporting activities would be improved. The Tobacco Stocks and Standards Act of 1929 and the Tobacco Inspection Act of 1935 were the basis for the Department's work in classification and grading of tobacco stocks. The Agricultural Marketing Act of 1946 established the current broad authority for USDA to do standardization and grading work.

Various organizations within the Department of Agriculture have been responsible for the standardization and grading activities since 1901. The original grain and cotton studies were conducted by the Bureau of Plant Industry. In 1913, the Bureau and others were merged into the Office of Markets (renamed the Bureau of Markets in 1919). The grading and standardization work continued in this new organization.

During the years 1919-1920, most of the work of the Bureau of Markets was grouped into the following divisions: Livestock, Meats, and Wool; Dairy and Poultry Products; Fruits and Vegetables; Grain Marketing; Hay, Feed, and Seed; and Warehousing. From this time to the present, standardization and grading activities have been conducted on a commodity basis rather than a functional basis.

In 1921, the Bureau of Markets was merged with the Bureau of Crop Estimates to form the Bureau of Markets and Crop Estimates. A year later, this organization was merged with the Office of Farm Management and Farm Economics to form the Bureau of Agricultural Economics. Here the work was still organized along commodity lines.

In 1953, the Agricultural Marketing Service was organized centralizing the marketing and distribution work. Included were the standardization and

grading activities. These functions remained in AMS (at one point renamed the Consumer and Marketing Service) until 1976 when the Federal Grain Inspection Service was created and responsibility for the grading of grain and pulses was transferred to that agency. In 1977 all standardization and grading programs for edible products remaining under AMS jurisdiction were transferred to the newly-established Food Safety and Quality Service (FSQS) which had responsibility for the safety and wholesomeness of animal products as well as food grading and standardization. In FSQS, these functions remained organized on commodity lines. In 1981, the standardization and grading functions returned to AMS and have remained organizationally unchanged since that time.

While AMS grading services have been organized along commodity lines, there have been several studies analyzing the feasibility of reorganizing this work on a functional basis.

In 1965, the Consumer and Marketing Service (C&MS) held a 3 day conference on improving the Agency's management. One of the four major conference themes was organizational structure and its effect on management. While not the main focus, there were discussions about functional versus commodity organization.

It was noted that neither a commodity nor a functional structure dominated the Agency at that time. The consensus reached at the conference was that C&MS did not necessarily have to have consistency in its organization--that it could have both commodity and functional bases. There were questions as to which way should the trend be when changes were made.

There were also discussions concerning the cross utilization of employees and the coordination in the use of facilities, space, and equipment. It was concluded that the Agency was limited in this area by such operating characteristics as geography, diversity of skills, and seasonal variances in workloads. Even though some divisions made it a standard practice to cross utilize employees within the division, the separation of work places and the requirements for training to maintain skills restricted the obtainable benefits.

In 1980, the Food and Safety and Quality Service (FSQS) conducted an indepth review of cross utilization of its field personnel. This review analyzed the current status of cross utilization (which included cross utilization of animal product graders and inspectors), administrative factors, and opportunities for additional cross utilization.

It was determined from this review that a different set of circumstances is peculiar to each location and that as a result, FSQS would have to approach the subject of expanded opportunities for cross utilization on a location by location basis. While this activity was strongly encouraged and assistance of the field supervisory staff was requested, no formal system changes were recommended or implemented.

In 1982, the General Accounting Office (GAO) studied the feasibility of having all grading services administered by one USDA agency. Responsibility within the Department for grading activities is currently divided between two agencies. The Agricultural Marketing Service (AMS) provides grading services for most products--meat, poultry, dairy, fruits, and vegetables. The Federal Grain Inspection Service (FGIS), established by the U.S. Grain Standards Act of 1976, administers the national grain inspection and weighing program, and it has responsibility for inspecting certain other commodities such as rice, dry beans and peas, and processed grain products.

GAO found that locating these activities in a single agency was feasible and offered several opportunities for greater efficiency. However, AMS and FGIS determined that there were limited opportunities for cross utilization of employees based on current grading procedures and practices. Both Agencies also believed that any efficiency benefits from cross utilization could be captured in the current organizational structure.

AMS GRADING SERVICES

Appendix C. Dispersion of Graders Map



- x DAIRY
- + FRESH F&V
- Δ LIVESTOCK
- POULTRY
- ◇ PROCESSED F&V

Appendix D. Program Operations

The program operations of each grading branch are tailored to the industries they serve and the scope of each operation is described below by commodity group.

Cotton

In cotton, the main quality-assurance activity is cotton classing. Classing provides the basis for pricing of cotton throughout the marketing chain, beginning with sales by producers. The classing of cotton consists of determining grade, staple length, and micronaire (mike) reading. Grade and staple determinations are made by cotton classers, while mike readings are made on a laboratory instrument.

Cotton classing for grade and staple is a subjective skill based on human perception. The nature of the commodity itself also limits the repeatability of classing. Both USDA and the cotton industry recognize that grade, staple, and mike do not fully indicate the total spinning utility of cotton. High Volume Instruments (HVI's) are now used in the official classification of about one-third of the cotton produced. The HVI system consists of instrument measurements for fiber length, strength, length uniformity, micronaire, and color. An instrument for measuring trash content is under development.

A classification card showing grade, staple, and mike for manual classing, plus length, strength, uniformity, and color on HVI for each bale is furnished to the producer. Producers use this information in selling their cotton or placing it in the Commodity Credit Corporation (CCC) loan program. Most purchases of cotton from farmers are made on the basis of the classification shown on the farmers' class cards. This is commonly referred to in the cotton trade as the "green class card" or "Smith-Doxey class."

Cotton is classed for other specific purposes. Most sales of cotton in CCC inventory in recent years have required reclassification of the cotton for final settlement. And, all cotton eligible for delivery on futures contracts also must be classed.

Official cottonseed sampling and grading is a voluntary program except where required in connection with the CCC cottonseed price support programs. Between 55 and 60 percent of the cottonseed crop is marketed under Federal grades. Samplers and graders of cottonseed are licensed by the Cotton Division but are not employees of the Division. Cottonseed samplers are usually employees of cottonseed crushing mills where cottonseed generally is sampled for grading. The grading function is performed by cottonseed chemists who are usually employees or owners of independent analytical laboratories.

Dairy

The dairy inspection and grading program is carried out through four major activities--plant surveys, inspection and grading, laboratory services, and resident grading and quality control.

Only after a survey shows that a plant has met the requirements outlined in USDA's General Specifications for Approved Dairy Plants can a plant qualify for the other services of grading, sampling, testing, and certification of its product. This survey tells a plant manager about the quality of raw material, sanitation, condition of plant and equipment, and processing procedures--factors affecting the quality and wholesomeness of the finished product. The plant manager may use the survey both for his own benefit and to assure customers of safe, uniform, and high quality products.

Once approved, a plant does not automatically keep its status. A similar survey is required at least twice a year to maintain eligibility. More frequent surveys--every 90 days--are made of plants manufacturing nonfat dry milk and other dried dairy products.

All dairy products offered for sale to the Federal government under the dairy price support program are graded under this program. The stocks of government-owned dairy products are inspected periodically to ensure they have maintained their quality during storage. Grading takes place when a supplier notifies the nearest AMS Dairy Division area supervisor that an order is ready to be filled. The grader checks the proposed delivery to determine if it meets contract specifications.

Laboratory service consists of analytical and quality control tests, including chemical and bacteriological determinations essential in evaluation of class, quality, condition, and keeping properties. Exacting laboratory tests assure a product's quality and wholesomeness. For example, assignment of a U.S. grade to nonfat dry milk requires seven laboratory tests and a flavor test.

Resident grading and quality control service is available to approved plants. This service is a combination of the plant survey, inspection and grading, and laboratory programs. It provides for quality checks on sanitation, and grading and certification of the finished product by an inspector stationed at the plant on a full-time basis.

To qualify for USDA grading, the dairy plant must first be approved under the plant survey program. The plant must have a USDA-approved laboratory, which the residence inspector uses for chemical and bacteriological testing of raw ingredients and finished products.

Almost all dairy products can be graded, but the service is used most widely for butter, cheddar cheese, instant nonfat dry milk, and regular nonfat dry milk.

Fresh Fruits and Vegetables

There are two basic grading activities for fresh fruits, vegetables, and specialty crops--shipping point inspection and receiving point inspection. In both types of activity, either lot inspection or continuous inspection is available.

Shipping point inspection is conducted under cooperative agreements with all 50 States and Puerto Rico. The shipping point inspection program is financed by the States and largely is self-supporting. Fees for services rendered are assessed and collected by the States. State employees are licensed and supervised by AMS. AMS is reimbursed for supervisory costs through overhead assessments against the fees collected and by the payment of travel expenses of the Federal supervising inspectors by the various States.

Shipping point inspection for quality and condition is available to commercial shippers of fresh fruits and vegetables, nuts, and other miscellaneous products. This inspection establishes the quality of the commodities at time of shipment for sales purposes or to verify compliance with contract terms.

Processors or growers can contract with the Federal-State inspection service for inspection of their raw commodity deliveries. Trained inspectors then will be stationed at the processors' receiving stations to impartially evaluate the produce as it is delivered. Inspection is based either on U.S. grade standards, or on specifications designed to fit the processor's particular needs.

Receivers in terminal markets can have shipments of produce inspected for both quality and condition or for condition only. Many receivers use this inspection to determine whether or not an arriving shipment meets contract terms, to help them decide the best use for a particular shipment, or as an aid in selling their produce.

Receiving point market inspection services are available in 119 cities. In 87 of the smaller markets, inspection work is administered by the States under cooperative agreement. In the other markets, inspection is administered by AMS.

Continuous inspection is a special type of service which is made available to packers at shipping points and at terminal markets. Continuous inspection means that one or more inspectors are assigned to a packing plant during the full time packing is conducted. The inspector observes plant conditions, the incoming products, and preparation and packing of the outgoing products.

Processed Fruits and Vegetables

For processed fruits, vegetables, and specialty crops, inspections may be performed on either an inplant or lot inspection basis depending on the

wishes of the applicant and the special requirements of the particular contract or program. Inspection certificates indicating the grade of the lot are issued as a normal procedure on lot inspections, but only as requested on other than lot inspections. The grade is provided for the information of financially interested parties and is used in marketing, but it is not necessarily shown on the retail product.

Inplant inspection is performed during the manufacturing process and involves observation of the condition and acceptability of raw material, monitoring of plant sanitation, online checks of product at various stages of processing, and final grading of the finished product.

Lot inspection involves drawing samples from specifically identified lots and determining the grade of the lots on the basis of examination and testing of these samples. For both inplant and lot inspection, microscopic and other special tests and analyses quite often are required and performed before certifying the quality and condition of the product.

In addition to inspection and grading, the Processed Products Branch performs a wide variety of related services that aid marketing and procurement programs. These additional services include check loading, case stamping, condition of container examination, verification of product formulation, checking packaging and marking, and unit load (military) testing.

Livestock and Meat

Livestock and meat grading can be categorized into two primary activities--grading and certification. The majority of these duties are performed in meat packing establishments where livestock are slaughtered, prepared for human consumption, and shipped through various marketing channels. Whenever a meatpacker's request for service is approved, one or more meat graders are assigned to service the plant.

The grading process is a system for segregating a product--like beef--into groups according to well-defined but subjective criteria related to differences in value and acceptability. Although the Federal grading system includes two kinds of evaluations--quality and yield--not all species are graded for both. For example, veal and calf carcasses are graded for quality only. Beef carcasses are graded for both quality and yield, while lamb, yearling mutton, and mutton carcasses may consist of either a quality grade or yield grade or both.

Quality grading is that aspect of livestock grading with which the general public is most familiar. These quality grades identify the palatability or eating quality (tenderness, juiciness, and flavor) of meat. The standards for these grades are based on factors which meat experts have shown to be important determinants of palatability. In beef, these determinants include carcass maturity, degree of marbling or flecks of fat within the lean, and color and firmness of the lean.

Yield grading indicates the amount of usable meat a carcass will yield after the waste fat and bone have been removed. Yield grades are based on the percentage yield of boneless, closely trimmed, retail cuts from high value parts of the carcass. Various carcass measurements such as internal and external fat covering, carcass weight, ribeye area, and conformation are some of the factors used in determining yield grades. Producers, packers, retailers, and consumers use the yield grades as an important tool in marketing carcasses and wholesale cuts. Because yield grades are based primarily on differences in fat covering on the carcass, and much of this fat is trimmed off in preparing retail cuts, yield grades are not as important to consumers who purchase trimmed retail cuts.

The meat certification service provides large volume purchasers with consistent and uniform meat and meat products regardless of the meat supplier. Products such as ground beef, steaks, roasts, frankfurters, and other meat items are examined by meat graders to ensure that the product conforms to the purchaser's contract requirements. After the product has been examined and accepted, the meat grader applies a certification stamp attesting to product acceptability. Other certification services that are available include the beef carcass data service and the product examination service.

The beef carcass data service helps producers and feeders obtain data on important value-determining characteristics of cattle in order to make decisions on breeding, feeding, and management practices. Cattle producers and feeder associations, agricultural organizations, and State Departments of Agriculture sell numbered, shield-shaped eartags used to identify cattle on which producers and feeders want carcass information. During slaughter this tag is transferred to the carcass by a Food Safety and Inspection Service meat inspector and later, a meat grader evaluates the carcass, and the results are forwarded to the eartag purchaser.

The product examination service can be used by anyone with financial interest in a meat shipment. Users of this service usually want an unbiased, expert examination of a meat shipment to substantiate a damage claim, to protect themselves against one, or to save the time and expense of examining it themselves. Meat can be checked for factors such as freezer burn, evidence of thawing and refreezing, cleanliness, condition of product, temperature, weight range, fat thickness, the temperature of the conveyance, and container or product damage.

Poultry

The principal functions of the poultry grading program are grading, identification and certification of poultry, eggs and domesticated rabbits as to class, quality, quantity, and condition; acceptance services; and inspection of egg products.

Poultry and shell egg graders provide both grading and acceptance services. Grading services are available to the industry on either a resident (inplant) or nonresident (lot-grading) basis.

Resident (or continuous) grading is performed by graders stationed in an applicant's processing plant. Approximately 96 percent of poultry and egg grading services are performed by graders assigned to plants requesting resident service. The grader is available at all times to perform grading services at that plant.

Nonresident grading is performed on a particular lot or carload of poultry or eggs at the request of the applicant. Requests for this type of service are irregular, and the fees charged are based on the time and expenses involved in performing the service. Nonresident grading represents approximately 4 percent of poultry and egg grading activities.

Acceptance services involve certification that poultry and eggs meet specific contract requirements as to processing, packaging, marking, quality, and condition. These specifications are defined by the purchase contract. The Poultry Division grader/inspector examines the product to certify that it meets contract specifications before the product is delivered. Specification work is handled primarily in resident plants and represents about 20 percent of the grading workload. Graders also inspect and approve facilities and equipment in egg products and shell egg plants, and the grading facilities in poultry plants.

USDA is required to provide mandatory, continuous inspection of all egg processing plants, inspect shell egg grading and packing plants to determine the disposition of certain types of shell eggs (cracked and dirty eggs, leaking eggs, incubator rejects, loss, and inedible eggs), and prohibit States or local governments from imposing standards differing from official USDA standards for grade and size of eggs moving in interstate commerce. In addition, any egg products imported into the U.S. must have been inspected under a USDA-approved system. Currently, Canada is the only country with a USDA approved system.

Approximately 100 egg products processing plants throughout the United States are continuously inspected by AMS. Poultry Division inspectors are responsible for inspection of the facilities, equipment, methods of processing, as well as the product itself. The facilities and equipment are inspected for cleanliness and ability to perform the intended functions. The methods of inspection involve both visual and laboratory tests. Controlling the type of egg being broken is a key function of the inspection.

Sensory examination of the product is supported by laboratory analysis. Food chemistry, microbiology, and chemical residue tests are performed for various industrial and environmental chemicals, trace elements, drug residues, and similar contaminants. This work is done primarily in the Poultry Division laboratory in Gastonia, North Carolina.

Under shell egg surveillance provisions, the Egg Products Inspection Act (EPIA) restricts the use of certain types of eggs to prevent their use as human food. Restricted eggs include checked (shell cracked, not leaking)

and dirty eggs, which may be sent only to official USDA-inspected processing plants for proper handling and processing; and incubator rejects (infertile or unhatchable); leakers (cracked, contents leaking); inedible and loss (unfit for human food) eggs. Some restricted eggs (other than cracked and dirty eggs) are usable in animal feed; the remainder must be discarded. USDA and cooperating State agencies periodically make unannounced visits to shell egg packers and distributors to see that shell egg surveillance provisions under the EPIA are being met.

Tobacco

The tobacco program grading activities include inspection of domestic tobacco, designation of tobacco markets, and inspection of tobacco imported into the United States.

Domestic tobacco inspection/grading typically takes place in auction market warehouses before the tobacco is sold. The process begins as tobacco is grouped in lots (a pile, pallet, or basket) ranging from 100 to 700 pounds each. Inspectors sample each lot and assign a grade based on three factors: stalk position, quality of the leaf, and color. Grades are assigned in accordance with official standards.

The Secretary of Agriculture, with the advice of tobacco growers in referendum, determines whether a market is to be designated as an auction site for tobacco moving in commerce. A vote of two-thirds of the producers is required before a market is designated. Inspection of tobacco sold in designated markets is mandatory, and the cost of inspection is charged to the sellers. Producers selling tobacco at designated markets are eligible for price support.

Inspection services for imported tobacco are performed at the point of entry. The inspector witnesses the unloading of the product. Each shipment is identified by an invoice and packing list which gives a detailed accounting of the contents, including the country of origin, weight, and company assigned grade. The tobacco is inspected as it is unloaded by way of a random sampling technique for each lot. The inspector verifies the identify of the shipment and if the contents are acceptable, issues an import inspection certificate showing the kind of tobacco and USDA standard grade.

If inspectors are not available or if logistics prevent timely onsite inspection, the Tobacco Division is authorized by regulation to permit inspection by submitted sample.



Appendix E. California Data Collection Forms

CROSS UTILIZATION SUMMARY SHEET

A. BACKGROUND DATA	Last Name	First Name	Series/Grade
Division/Organization		Duty Station	

B. THRESHOLD DATA

Yes No

1. Employee at one location entire period?

--	--

Check One

2. If, yes:

a.	City	Plant
b.	Work Performed	
c.	Special Qualifications	

C. SUMMARY DATA

Compensated Travel Hrs.		Miles Claimed	Travel & Other Expenses	Hours Work Rev.	Not Available		Avail- able		No. Hrs. OT	Footnotes
Rev.	Non- Rev.				Not Avail. No Rev.	Not Avail. Rev.	Rev.	No Rev.		

D. SUMMARY CONCLUSION

Yes No

1. Available for other assignments?

--	--

2. Assignment(s) have potential for additional efficiencies?

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REVENUE EFFICIENCY WORKSHEET

MULTIPLE SITE UTILIZATION

Day	Assignment Data		Compensated Travel Hrs.		Miles Claimed	Total # Other Expenses	Not Available		Available		# Hrs. OT	Foot Notes
			Rev.	Non-Rev.			Hrs. Work Rev.	Not Avail. No Rev.	Not Avail. No Rev.	Available No Rev.		
	#	Location/Plant										
		Work Performed										
		Special Quals.										
	#	Location/Plant										
		Work Performed										
		Special Quals.										
	#	Location/Plant										
		Work Performed										
		Special Quals.										
	#	Location/Plant										
		Work Performed										
		Special Quals.										

FOOTNOTES:

Appendix F. Summary Table of California Grader Utilization

GRADER UTILIZATION SUMMARY
CALIFORNIA

Program	Rev	Compensable	Travel	%	On-site	Working /	Not Available	%	Rev	Standby	%	Overtime	%	Ttl
		NR	Ttl			NA-Rev	NA-NR			NR		Ttl		Hours
SEPTEMBER 21-27, 1986														
Dairy	21.25	0	21.25	7.78	251.5	0	0.5	252	92.22	0	0.00	18.5	6.77	273.25
FP-Burl	0	4	4	2.15	120	0	44	164	88.29	0	9.56	1.5	0.81	185.75
FP-LA	0	4.75	4.75	2.18	197.25	0	16	213.25	97.82	0	0.00	4	1.83	218
PP-Frsn	50.75	0	50.75	0.63	7892	0	171	8063	99.37	0	0.00	1050.5	12.95	8113.75
PP-LA	23.75	0	23.75	6.32	331.25	0	17	348.25	92.62	4	1.06	55	14.63	376
PP-Indio	7.75	0	7.75	4.17	178.25	0	0	178.25	95.83	0	0.00	9.5	5.11	186
PP-SJose	35.5	0	35.5	5.00	655.5	0	19	674.5	95.00	0	0.00	48	6.76	710
PP-Stkn	28	6	34	4.43	718	0	16	734	95.57	0	0.00	111	14.45	768
LS-Bell	35.5	3	38.5	4.17	717	19	128.75	864.75	93.77	7.5	2.06	69.25	7.51	922.25
Poultry	15	20	35	1.41	2200	0	230	2430	97.76	0	0.83	241	9.70	2485.75
TOTALS	217.5	37.75	255.25	1.79	13260.75	19	642.25	13922	97.78	11.5	0.43	1608.25	11.29	14238.75
JANUARY 11-17, 1987														
Dairy	29.5	0	29.5	12.61	204.5	0	0	204.5	87.39	0	0.00	6	2.56	234
FP-Burl	0	12	12	5.67	133	0	64	197	93.14	0	1.18	9	4.26	211.5
FP-LA	0.75	5.5	6.25	2.24	273	0	0	273	97.76	0	0.00	33	11.82	279.25
PP-Frsn	0	1	1	0.03	3042.5	0	425	3467.5	99.97	0	0.00	130	3.75	3468.5
PP-LA	0	18	18	4.74	331.5	0	16	347.5	91.57	14	3.69	20.5	5.40	379.5
PP-Indio	11.5	0	11.5	6.01	180	0	0	180	93.99	0	0.00	8	4.18	191.5
PP-SJose	0	0	0	0.00	244	0	36	280	100.00	0	0.00	8.5	3.04	280
PP-Stkn	3	0	3	0.51	575	11	0	586	99.49	0	0.00	10.5	1.78	589
LS-Bell	34.75	0	34.75	3.51	802	15	124.5	941.5	95.22	10.5	1.26	80.75	8.17	988.75
Poultry	71.25	8.25	79.5	2.92	2476.25	16	139.25	2631.5	96.63	11.5	0.45	236.5	8.68	2723.25
TOTALS	150.75	44.75	195.5	2.09	8261.75	42	804.75	9108.5	97.47	36	0.44	542.75	5.81	9345.25

Appendix G. Hypothetical Staffing Tables and Cost Analysis. Cost estimates were prepared for the two alternative organizational models as follows:

- Multi-Commodity Regional Model - All existing grading and standardization functions consolidated under three Regional Directors reporting to a separate Assistant Administrator for Grading and Standardization.
- Separate Grading Divisions Model - Existing commodity-oriented grading and standardization functions are shifted into commodity-specific grading divisions, reporting to an Assistant Administrator for Grading and Standardization.

Cost estimates for the two new alternative organization models were developed based on projections of staffing and grade levels required. Intangible issues such as employee morale and productivity, service, and opportunities for cross-fertilization of ideas and methods were not factored into the cost/benefit calculations.

Cost estimates were only developed for the organizational level above the field office through the Commodity Division Director's office. The estimates developed covered both the annualized cost savings/increases resulting from different organizational models and any one-time costs associated with such a change.

The detailed breakdown of one-time costs and annual dollar and staff savings or costs associated with the alternate organizational models are shown in Exhibits I thru III.

The level of resource savings and costs in relation to the current organization costs are detailed in the following table.

Alternative Organizational Models
Cost/Staffing Comparison Summary

(Dollars in thousands)

	<u>Changes From Existing Structure</u>	<u>One-Time Start-up Cost</u>	<u>Staff Years</u>
Multi-Commodity Regional Model	-\$435	+\$2,229	-16
Separate Grading Division Model	+\$672	\$0	+15

A. Multi-Commodity Regional Model - Based on the staffing levels and grades required, the net first year cost of implementing this organizational structure is approximately \$1.8 million. While annual operating savings of some \$400 thousand are projected after the first year, the one time costs associated with this model are significant. Severance pay, lump sum annual leave, unemployment compensation, and relocation expenses associated with this model total approximately \$2.2 million (Exhibit V). Excluding present value computations, more than 5 years would be needed to recover the initial cost of implementing this organizational structure.

The effect of this organizational structure on user fee levels in the first and subsequent years is indicated on the following table:

Multi-Commodity Regional Model
Impact on Grading Fees

	<u>FY 1986 Existing Fee</u>	<u>Net 1st Year Cost Increases</u>	<u>Savings After Initial Payback</u>
Cotton	\$1.03/bale	\$.015/bale	\$.004/bale
Dairy	15.60/hr.	.234/hr.	.062/hr.
Fruit and Vegetable			
Fresh	25.00/hr.	.375/hr.	.100/hr.
Processed	29.00/hr.	.435/hr.	.116/hr.
Livestock	29.80/hr.	.447/hr.	.119/hr.
Poultry	16.16/hr.	.242/hr.	.065/hr.
Tobacco	.55/hundred- weight	.008/hundred- weight	.002/hundred- weight

The calculations used to develop cost estimates for this model are explained in Exhibit IV.

B. Separate Grading Divisions Model - From an operational cost perspective the separate grading division model does not differ significantly from the current organizational structure. The transfer of the intact grading and standards functions as separate commodity-oriented grading groups changes only the number of people needed to do the job but requires no major relocation of personnel. Because this alternative calls for 15 additional personnel, it is more costly than the current organization by approximately \$700 thousand. The effect of this cost increase on user fee levels is indicated in the following table.

Separate Grading Divisions Model
Impact on Grading Fees

	<u>FY 1986 Existing Fee</u>	<u>Additional Cost After Implementation</u>
Cotton	\$1.03/bale	\$.006/bale
Dairy	15.60/hr.	.094/hr.
Fruit and Vegetable		
Fresh	25.00/hr.	.15/hr.
Processed	29.00/hr.	.174/hr.
Livestock	29.80/hr.	.179/hr.
Poultry	16.16/hr.	.097/hr.
Tobacco	.55/hdwt.	.003/hdwt.

The calculations used to develop cost estimates for this model are explained in Exhibit V.

ALTERNATIVE ORGANIZATIONAL STRUCTURES
DETAILED COST COMPARISON
(EXCLUDES ONE-TIME COSTS)

OBJECT CLASS	CHANGE FROM		CHANGE FROM	
	EXISTING STRUCTURE	MULTI-COMMODITY REGIONAL MODEL	EXISTING STRUCTURE	SEPARATE GRADING DIVISIONS MODEL
SALARIES	10,615,039	10,338,353	(276,686)	11,215,221
BENEFITS	1,273,823	1,240,621	(33,202)	1,345,850
TOTAL, SALARIES & BENEFITS	11,888,862	11,578,974	(309,888)	12,561,071
UNEMPLOYMENT COMPENSATION	223,992	223,992	0	223,992
TRAVEL	1,520,735	1,520,735	0	1,520,735
TRANSPORTATION OF THINGS	220,364	220,364	0	220,364
RENT, UTILITIES, & COMMUNICATIONS	1,869,391	1,743,946	(125,445)	1,869,391
PRINTING	262,802	262,802	0	262,802
CONTRACTUAL SERVICES	2,323,880	2,323,880	0	2,323,880
SUPPLIES	316,343	316,343	0	316,343
EQUIPMENT	340,954	340,954	0	340,954
TOTAL	18,967,323	18,531,990	(435,333)	19,639,532

EXHIBIT II

ALTERNATIVE ORGANIZATIONAL STRUCTURE
DETAILED STAFFING SUMMARY

GRADE	MULTI-COMMODITY		CHANGE FROM		SEPARATE		CHANGE FROM	
	EXISTING	REGIONAL	EXISTING	GRADING	EXISTING	GRADING	EXISTING	GRADING
STRUCTURE	MODEL	STRUCTURE	DIVISION	MODEL	STRUCTURE	DIVISION	MODEL	STRUCTURE
SES	8	11	3	10	2			
GM 15	15	10	(5)	23	8			
14	29	28	(1)	30	1			
13	48	46	(2)	44	(4)			
GS 12	49	51	2	45	(4)			
11	12	11	(1)	16	4			
10	0	0	0	0	0			
9	24	20	(4)	21	(3)			
8	7	7	0	10	3			
7	18	17	(1)	22	4			
6	21	22	1	23	2			
5	35	36	1	24	(11)			
4	67	59	(8)	81	14			
3	19	18	(1)	18	(1)			
2	1	1	0	2	1			
1	1	1	0	0	(1)			
TOTAL	354	338	(16)	369	15			

ALTERNATIVE ORGANIZATIONAL STRUCTURE
ONE-TIME COST ANALYSIS

ONE-TIME COSTS	EXISTING STRUCTURE	MULTI-COMMODITY REGIONAL MODEL	SEPARATE GRADING DIVISIONS MODEL
SEVERANCE PAY	0	287,813	0
LUMP SUM	0	87,288	0
UNEMPLOYMENT	0	567,360	0
RELOCATION			
REAL ESTATE	0	952,000	0
TEMPORARY QUARTERS	0	238,000	0
TRANSPORTATION OF FAMILY	0	6,800	0
HOUSEHOLD GOODS	0	95,200	0
OFFICE MOVE	0	74,883	0
SUBTOTAL	0	1,366,883	0
TOTAL	0	2,229,344	0

Basis for CalculationsMulti-Commodity Regional ModelAssumptions:

1. Current employees would assume comparable grades and positions under the new structure where series and grade matched except for clerical positions. All clerical employees were assumed to refuse reassignment outside their commuting areas.
2. Three existing GS-15's were assumed promoted to SES level.
3. For remaining employees, RIF costs were calculated on the lowest grades for professionals, GS-7/5, and at the GS-5/5 for clericals. It was assumed that "bumping" would occur during a RIF.

Annual ChangePersonnel Costs

A net of 16 positions will be saved by the proposed reorganization.

Overall Savings: -9 Professionals : -10 Hqts. +1 Field	
9 Professionals x \$23,121 (avg. salary)	-\$208,089
-7 Clericals : -5 Hqts -2 Field	
7 clericals x \$13,997 (avg. salary)	-\$97,979
Less 3 promotions (GS-15/5 to SES level):	+\$29,382
3 x \$9,794	
Net Savings	-\$276,686

Personnel Benefits

Benefits are approximately 12% of salary costs.

\$276,686 x 12%	-\$33,202
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Rent, Utilities, & Communications

Space Costs - the net of office closings/reductions and new offices established.

Office Closures: (PY Region: Modesto, Des Moines, Little Rock & Gastonia. Processed F&V Region: San Jose & Wood Dale. Fresh F&V Region: Sacramento, Chicago, Falls Church. Livestock Region: Denver, Dallas, & Chicago).	-\$234,155
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Office Reductions: (Dairy Region: Fresno, Chicago, Minnesota, & Syracuse. Cotton Region: Memphis).	-\$92,046
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EXHIBIT IV

Cost of opening new Regional Offices:

(San Francisco, Kansas
City, & Atlanta).135 sq. ft/person x 113 employees x \$13.16 (avg.)
rate sq. ft.

+\$200,756

New offices calculated at 135 sq. ft. (GSA Std.)
per person x rate per sq. ft. in that city (actual where
available, or estimated by FSO).

-\$125,445

Total Annual Change

-\$435,333

One-Time Costs CalculationsPersonnel Rifs:13 Professionals: 3 Hqts. 10 Field
119 Clericals: 40 Hqts. 79 FieldSeverance Pay:Based on 13 professionals at GS-7/5 being rified and
119 clericals at GS-5/5 rified. Severance paid
for 3 weeks for professionals and 5 weeks for clericals.13 professionals (GS-7/5 salary) for 3 weeks
13 x \$1,200.35

+\$15,605

119 clericals (GS-5/5 salary) for 5 weeks
119 x \$1,615.19

+\$192,208

Total Severance Paid

+\$207,813

Lump Sum Annual Leave:Based on the average grade (GS-5/5 for clericals
and GS-7/5 for professionals) for 2 weeks annual leave
per person.13 professionals (GS-7/5 salary) for 2 weeks
13 x \$800.23

+\$10,404

119 clericals (GS-5/5 salary) for 2 weeks
119 x \$646.08

+\$76,884

Total Lump Sum Paid

+\$87,288

Unemployment Compensation:Based on 26 weeks unemployment at 50% of salary
for each rified employee.13 professionals (GS-7/5 salary) for 26 weeks
at 50% salary level.
13 x \$5,201.50

+\$67,620

EXHIBIT IV

119 clericals (GS 5/5 salary) for 26 weeks at
50% salary level.

119 x \$4,199.50

+\$499,740

Total Unemployment Compensation Paid

+\$567,360

Personnel Transfers

34 Professionals: 11 Hqts. to Field
23 Field to Field

0 Clericals

Relocation Expenses:

34 professionals will be relocating.

Expenses, per employee, include:

\$28,000 - Real estate (avg. est. cost in FY 1986)	x 34	\$952,000
200 - Transportation of Family	x 34	6,800
7,000 - Temporary Quarters	x 34	238,000
2,800 - Household Goods	x 34	<u>95,200</u>
<u>\$38,000</u> - Estimated Relocation costs per employee x 34		<u>+\$1,292,000</u>

Expenses for Office Move (Furniture, Space Costs,
& Telephone)

Assume \$22,883 for moving furniture,
\$16,000 for space costs (walls, outlets) &
\$36,000 for telephone costs.

+\$74,883

Total, Relocation Expenses

+\$1,366,883

Total, One Time Costs

+\$2,229,344

Basis for Calculation
Separate Grading Divisions Model

Personnel Costs

A net of 15 positions will be added by the proposed reorganization.

Overall Cost: 22 Professionals:

2	SES	x	65,700	=	131,400
8	GM-15	x	61,307	=	490,457
1	GM-14	x	51,863	=	51,863
4	GS-11	x	30,796	=	123,184
3	GS- 8	x	23,045	=	69,135
4	GS- 7	x	20,806	=	83,224
					<u>\$949,263</u>

17 Clericals:

2	GS-6	x	18,725	=	37,450
14	GS-4	x	15,016	=	210,224
1	GS-2	x	11,866	=	11,866
					<u>\$259,540</u>

Total Cost

+\$1,208,803

Overall Savings: 11 Profesionals:

4	GM-13	x	43,891	=	-175,564
4	GS-12	x	36,911	=	-147,644
3	GS- 9	x	25,454	=	<u>\$-76,362</u>
					<u>\$-399,570</u>

13 Clericals:

11	GS-5	x	16,798	=	-184,778
1	GS-3	x	13,374	=	-13,374
1	GS-1	x	10,899	=	<u>-10,899</u>
					<u>\$-209,051</u>

Total Savings

-\$608,621

Total Personnel Costs

+\$600,182

Personnel Benefits

Benefits are approximately 12% of salary costs.

\$600,182 x 12%

+\$72,027

Total Annual Change

+\$672,209

POSSIBLE AREAS FOR FUTURE STUDY

Having determined that significant reorganization was not warranted, the task force identified several topics for additional consideration. The first three topics listed below are considered to be those of greatest priority, and each of these contains a recommended method of addressing the topic.

1. Laboratories: AMS maintains a significant number of laboratories and several programs utilize various private labs or obtain service from other government agencies. The task force recommends that a group of subject matter experts be appointed to inventory AMS labs and service requirements, as well as facilities, equipment, staffing, and procedures in order to explore options for increased efficiency, cost-effectiveness and enhancement of technical expertise.
2. Collocation of Agency Offices: AMS regional and field offices are rarely collocated, even in locations where more than one AMS office exists. The lack of collocation often: (a) inhibits the ability of the Administrator and Deputy Administrator to effectively establish and maintain face-to-face contact with managers, supervisors, and employees and, (b) minimizes the ability of those programs to coordinate efforts and share resources. The task force recommends that the Administrator assign to the Deputy Administrator for Management the task of studying the feasibility of consolidating regional offices and field offices as appropriate.
3. Functional Committees: The commodity organizational structure in AMS inherently reduces the functional coordination and cooperation among different commodity divisions. To promote greater cooperation or coordination, the task force recommends that the Administrator appoint a group of Division Directors to charter and implement additional functional committees (e.g., grading and standardization) to facilitate the interchange of information and to serve as resources for addressing the topics listed below.

It is further recommended that the Administrator designate a leader or chairperson to coordinate initiatives undertaken for each of these topics.

- A. Technical Uniformity/Consistency: Identify areas where greater uniformity or consistency among commodity divisions in technical practices (i.e., sampling methodology, plant inspections, sanctions against applicants, training and supervision of graders, the potential for automating grading procedures, etc.) would be desirable and develop a plan for systematically addressing each area.

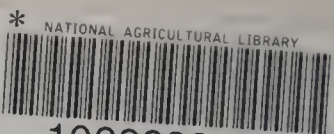
- B. Uniformity of Administrative Matters: Identify areas where greater uniformity or consistency among commodity divisions in administrative practices (i.e., pay and entitlements, billings and collections procedures, issuance of certificates, fees, forms, supply and warehousing, delegation of administrative authority, etc.) would be desirable and develop a plan for systematically addressing each one. This may also include a feasibility study for additional centralization among commodities of many administrative responsibilities into one or more field service centers.
- C. Acceptance/Sampling Workforce: Evaluate the feasibility and cost-efficiency of achieving greater cooperation among commodities in performing various tasks which might require less specialized, technical, commodity grading skills (ex., checkloading assignments).
- D. Use and Supervision of Non-Federal Graders: Analyze existing practices of employing, utilizing, and supervising non-federal employees who, through a variety of different means, perform federal grading work for the Agency. The study should focus on cost-effectiveness as well as propriety of those practices, the risks which may be associated with those programs, and actions the Agency should take to reduce any potential problems.

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